

Wooing European industry, North Carolina-style

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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

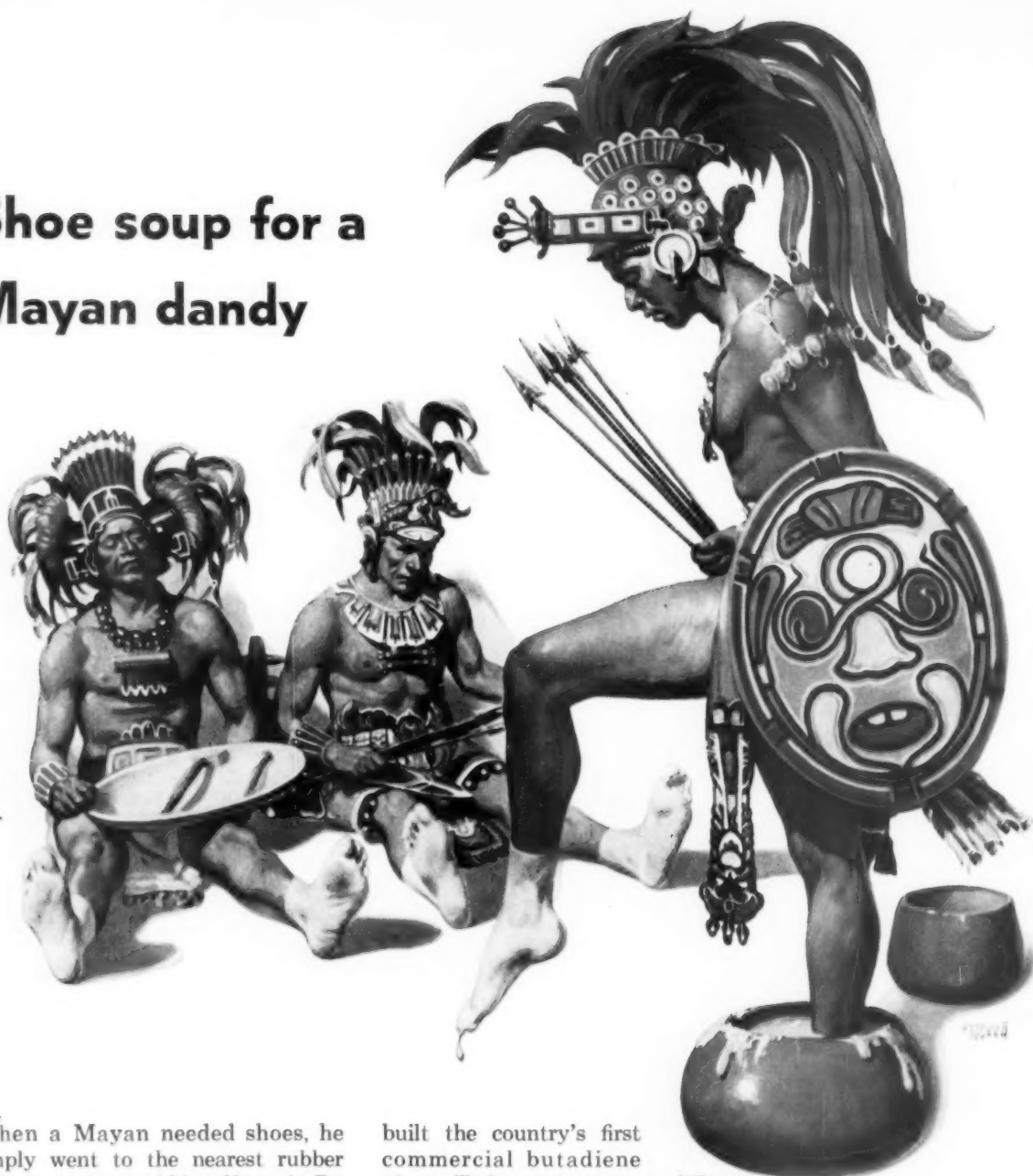
FIFTY CENTS

NOV. 21, 1959

Schneider and Bloomingdale of Diners' Club have lost their monopoly. New goal: a credit card that can buy practically everything. (Finance)

STEVEN S. RICE
UNIVERSITY MICROFILMS
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Shoe soup for a Mayan dandy



When a Mayan needed shoes, he simply went to the nearest rubber tree . . . and poured himself a pair. By dipping his feet repeatedly into a bath of raw latex, he fashioned a kind of shoe. The style was crude, but the fit was perfect.

Rubber goods have come a long way since then, and the development of synthetic rubber has been an important factor in this growth—especially since 1941 when Shell Chemical

built the country's first commercial butadiene plant. Today over twenty different types of Shell synthetic rubber go into such varied products as shoe soles and heels, tires, belting, floor tile, wire and cable insulation, and hundreds more.

Commercial production of this strong and versatile material is another of the many ways Shell Chemical helps industry with man-made raw materials.

The Mayan and other Indians of Latin America discovered a unique material for making clothing and footwear.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture

TORRANCE, CALIFORNIA



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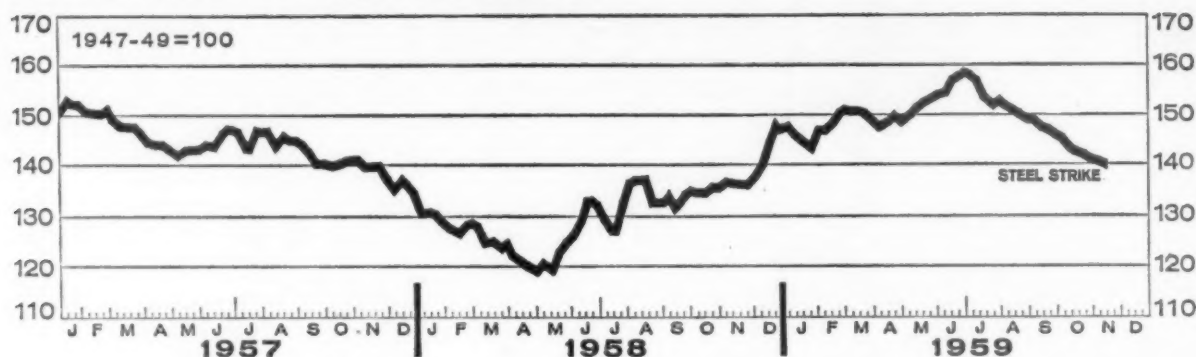
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FIGURES of the WEEK



BUSINESS WEEK INDEX (chart)	1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
	133.3	136.9	143.2	141.1 r	140.5 *

PRODUCTION

Steel ingot (thous. of tons).....	2,032	2,000	371	1,266r	2,233
Automobiles	125,553	117,688	133,430	63,451r	64,668
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$48,336	\$48,966	\$55,466	\$60,296
Electric power (millions of kilowatt-hours).....	10,819	12,378	12,861	13,019	13,270
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	6,968	6,839	6,899	6,876
Bituminous coal (daily av., thous. of tons).....	1,455	1,477	1,294	1,323r	1,256
Paperboard (tons).....	247,488	313,809	332,662	319,477	331,839

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	62	57	58	60
Carloadings: all others (daily av., thous. of cars).....	47	47	36	40	39
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	148	151	145	155
Business failures (Dun & Bradstreet, number).....	198	274	252	265	285

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	91.0	93.9	94.9r	95.2
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	83.9	74.8	74.7r	73.8
Print cloth (spot and nearby, yd.).....	19.8¢	17.8¢	20.0¢	21.2¢r	21.8¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.9	186.8	186.8	186.8
Scrap steel composite (Iron Age, ton).....	\$36.10	\$41.17	\$45.17	\$46.17	\$46.17
Copper (electrolytic, delivered price, E & MJ, lb.).....	32.39¢	29.06¢	32.87¢	34.73¢	35.22¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	24.7¢	24.7¢	24.7¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	‡	21.75¢	23.77¢	23.77¢	23.76¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.01	\$2.05	\$2.05	\$2.06
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	34.75¢	31.64¢	31.59¢	31.59¢
Wool tops (Boston, lb.).....	\$1.96	\$1.66	\$1.83	\$1.85	\$1.85

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 100).....	31.64	53.10	56.88	57.48	56.72
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	4.88%	5.28%	5.26%	5.28%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	3%	4% %	4% %	4% %

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	‡	61,170	60,827	60,615	60,837
Total loans and investments, reporting member banks.....	‡	101,662	102,790	103,879	103,146
Commercial, industrial, and agricultural loans, reporting member banks....	‡	31,685	30,645	30,624	30,669
U. S. gov't guaranteed obligations held, reporting member banks.....	‡	34,017	27,443	28,056	27,693
Total federal reserve credit outstanding.....	26,424	27,100	28,667	28,443	28,651

MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Personal income (seasonally adjusted, in billions).....	\$296.1	\$364.3	\$380.9	\$381.9
Farm income (seasonally adjusted, in billions).....	\$16.0	\$18.1	\$13.4	\$13.9
Bank debits (in billions).....	\$158.1	\$212.9	\$215.8	\$230.2
Housing starts (in thousands).....	101.5	115.0	120.4	105.1

* Preliminary, week ended November 14, 1959.
r Revised.

‡ Not available.
§ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Grant Compton; 25—WW; 27—(top lt.) Herb Kratochvil, (top rt. & bot. two) WW; 31—U.P.I.; 47—American Management Association; 55—WW; 68—Grant Compton; 69—Grant Compton & Herb Kratochvil; 77—Helmer Lund Hansen; 88, 89, 92, 99, 102—Grant Compton; 104, 106—Grant Compton; 126—Mike Shea; 135—WW; 142, 143, 144—Hilmar Pabel; 163—WW; 176, 177—Shel Hershorn; 181—Link Belt Co.; 183—Toro; 184—(top) Acco, (bot.) Nutone Food Center; 186—Joan Sydlow.

B.F. Goodrich



General Contractor: Merritt-Chapman & Scott Corp.

Rubber sends mountains of rocks to help bottle up a river

B.F. Goodrich improvements in rubber brought extra savings

MOUNTAINS of rocks, gravel and sand carried on those conveyor belts are made into concrete for a tremendous dam across the Colorado River. Engineers figure it will take 10 million tons of this stuff to build a towering 700 foot wall stretching 1500 feet across the canyon. But contractors can't afford to have any delays caused by belts breaking down—thousands of men would be made idle.

B.F. Goodrich men, working with the contractors, suggested they use conveyor belts made with Nyfil fabric.

These belts use nylon for cross threads in the fabric. They were developed by B.F. Goodrich to make the belts so strong they can stand the wear and tear that caused other belts to break down. And, most important, they cost no more than other belts.

These B.F. Goodrich Nyfil belts have been working on the Glen Canyon Dam project for two years now—16 hours a day, 5 days a week. There hasn't been a single breakdown and these belts are expected to give the same kind of service during the entire

5 or 6 years it will take to build the dam.

Part of the B.F. Goodrich service on big construction jobs like this is a special maintenance crew on the site. They give on-the-spot service to the belts, hose and tires so contractors lose as little time as possible keeping equipment on the job.

For complete information on the conveyor belt described here and all the other rubber products B.F. Goodrich makes for industry, call your B.F. Goodrich distributor. B.F. Goodrich Industrial Products Company, Department M-736, Akron 18, Ohio.

B.F. Goodrich industrial rubber products

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BUSINESS WEEK • NOVEMBER 21, 1959 • NUMBER 1577

Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw (1860-1948), Founder. PUBLICATION OFFICE: 330 West 42nd Street, N. Y. 36, N. Y. See panel below for directions regarding subscriptions or change of address. EXECUTIVE, EDITORIAL, CIRCULATION AND ADVERTISING OFFICES: McGraw-Hill Building, 330 West 42nd Street, N. Y. 36, N. Y. Donald C. McGraw, President; Joseph A. Gerardi, Executive Vice President; L. Keith Goodrich, Vice President and Treasurer; John J. Cooke, Secretary. Officers of the Publications Division: Nelson L. Bond, President; John R. Callahan, Vice President and Editorial Director; Joseph H. Allen, Vice President and Director of Advertising Sales; A. R. Venezian, Vice President and Circulation Coordinator. Subscriptions to Business Week are solicited only from management men in business and industry. POSITION AND COMPANY CONNECTION MUST BE INDICATED ON SUBSCRIPTION ORDERS. SEND TO ADDRESS SHOWN IN BOX BELOW. United States subscription rates for individuals in the field of the publication, \$6 per year, single copies 50¢. Canadian and foreign rates on request. Second class postage paid at N. Y. 1, N. Y. and at Albany, N. Y. Printed in U. S. A. Title registered in U. S. Patent Office. © Copyright 1959 by McGraw-Hill Publishing Co., Inc. All rights reserved.

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READERS REPORT

Eye Care

Dear Sir:

May we compliment you on the many fine aspects of your article on vision which appeared in Personal Business [BW—Oct. 3'59, p133]. . . . We hope you will not mind if we offer a few observations. . . .

We agree with the need for reading glasses for most people in their 40s or over. However, you have neglected to mention the most satisfactory answer to this need—bifocal or trifocal lenses. Only with a lens of a multi-focal construction is it possible for the presbyope to comfortably see near and far without constantly taking off and putting on his glasses—or switching to another prescription.

May we also register a mild protest at the implication that there is no harm in wearing old glasses, or sun glasses or wearing no glasses at all if they are needed. Many experts agree that there may be no injury to the eyes. However, the individual who neglects his vision can easily lose his job or even his life.

In addition, uncorrected vision frequently leads to nervousness, nausea, headaches, sleepiness, and bloodshot eyes. In the case of unbalanced vision, the result can be the suspension of vision or the loss of vision in one eye. . . .

M. C. WILLIAMSON

BAUSCH & LOMB OPTICAL CO.
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Not Tough on Labor

Dear Sir:

Your article entitled States Get Tougher on Unions [BW—Sep. 12 '59, p145] should have included a comment on a state which went to the opposite extreme, Massachusetts. This year for the first time the General Court was controlled by the Democratic Party and with a Democratic governor they all, despite pious promises in 1958 to serve all the people and to give business a fair treatment, laid down and let the unions pass all bills, and they got everything that they asked for. Thank goodness the gentlemen representing us in Washington have more intestinal fortitude than the legislators in the Massachusetts General Court.

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Pittsburgh to Cincinnati	90¢
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Birmingham to Washington, D.C. . .	\$1.40
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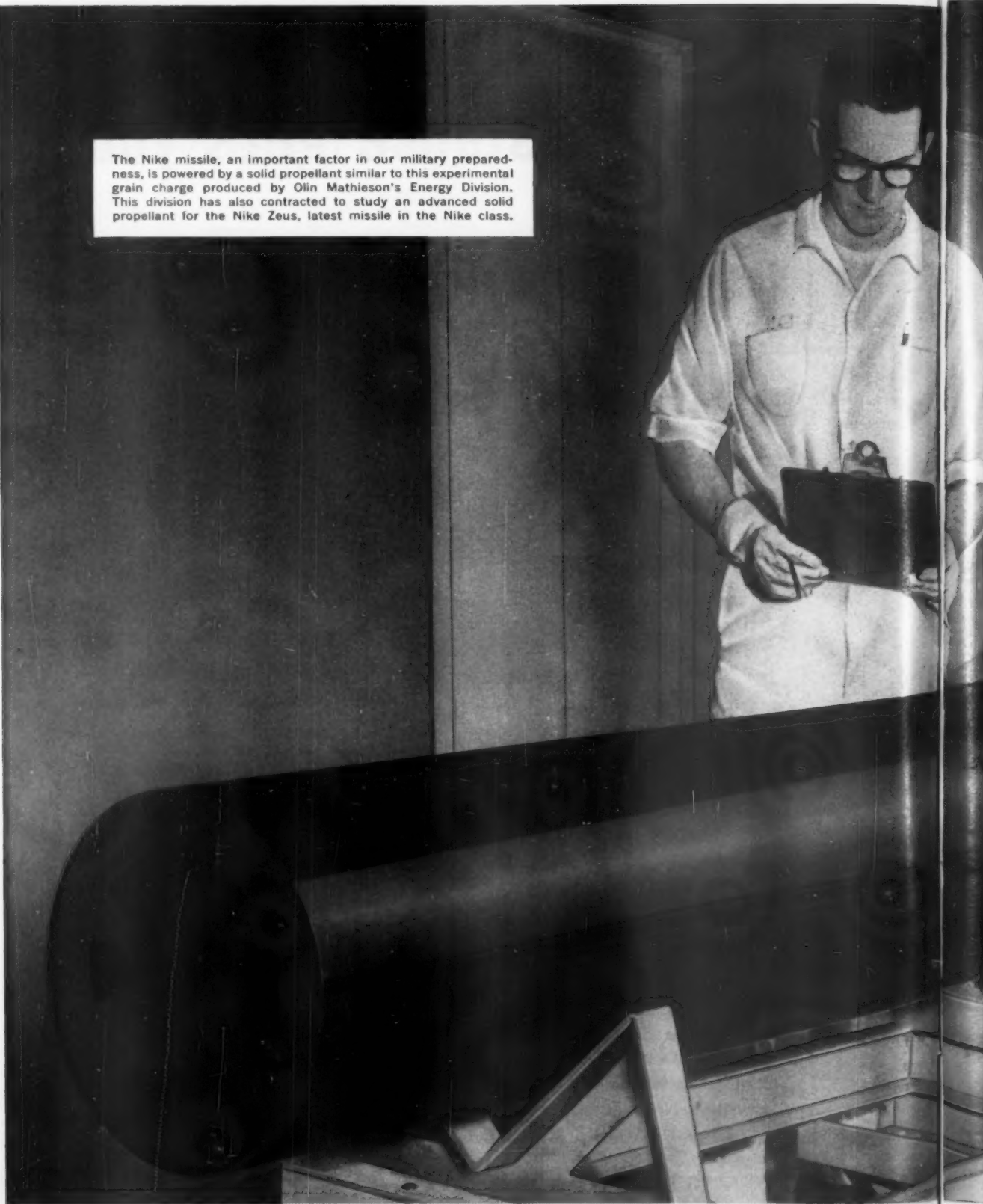
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There's no better time than now to take a searching look at your source of chemical supply. If you want a smooth-running extension of your own operations, call Olin Mathieson today.



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THE THOMPSON-RAMO-WOOLDRIDGE PRODUCTS CO., Beverly Hills, California

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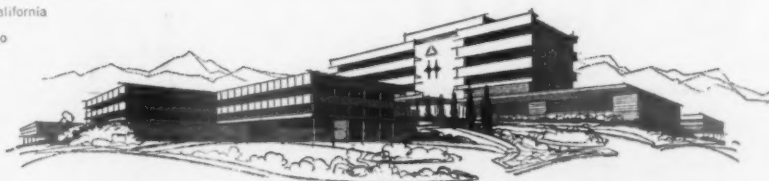
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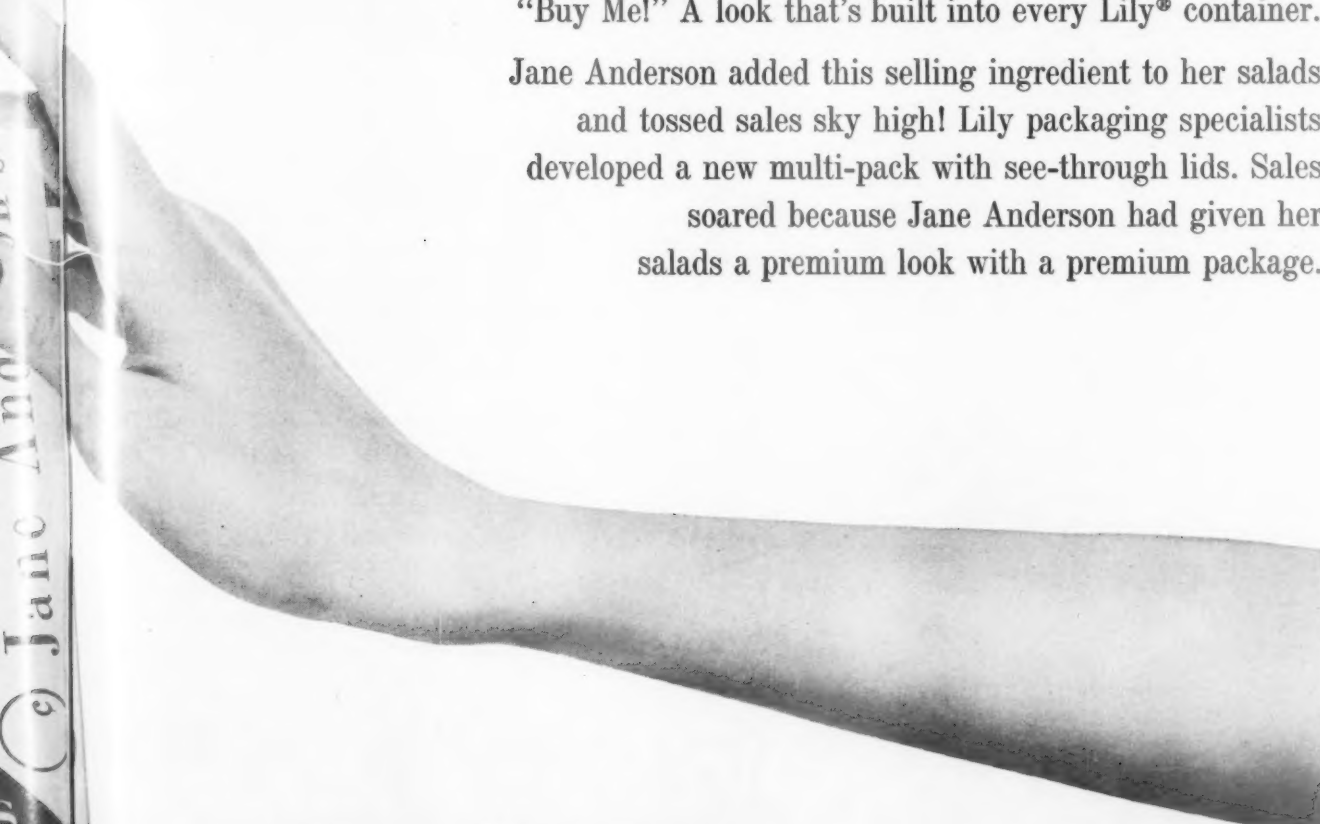


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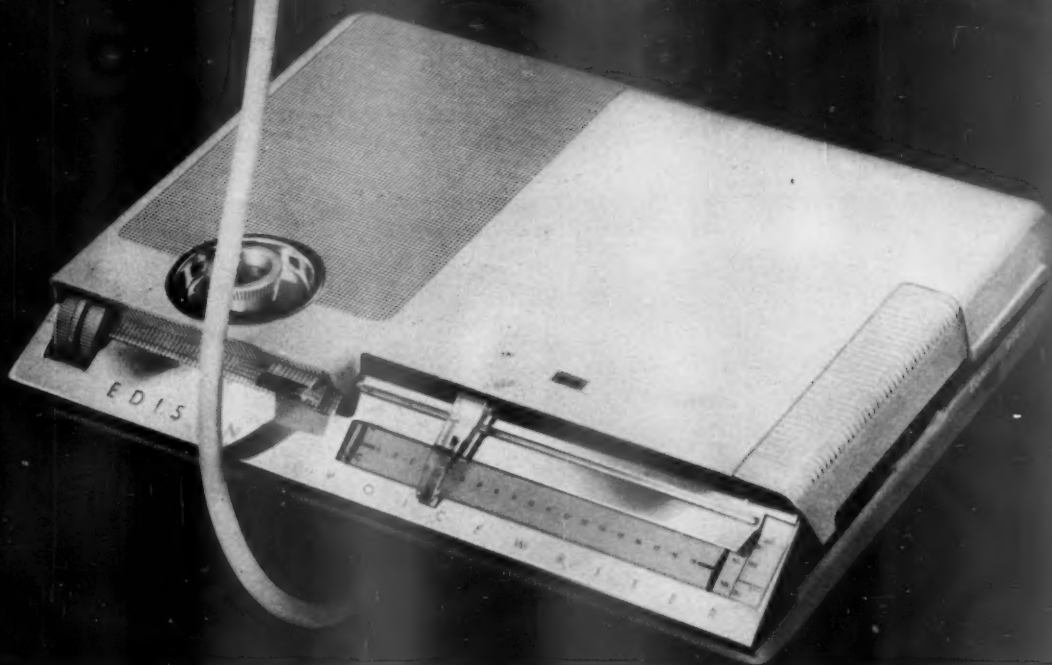
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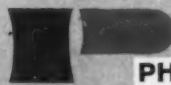
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BUSINESS OUTLOOK

BUSINESS WEEK

NOV. 21, 1959



Steel operations next week should be 80% of capacity or better.

This may not, in terms of history, be a monumental fact. But, for the time being, it is more illuminating than the fact that the Federal Reserve Board's index last month stood at 148 (or even that this index is unlikely to change much, one way or the other, in November).

An index is only an index. Steel, as most anyone on Broadway might tell you, is what people that use it ain't got enough of.

Index numbers will be fine, some day, for analytical insight into the steel strike's impact. Meanwhile, **steel output is the best gauge of how soon we can hope to climb back up where we were before the strike.**

Actually, the FRB's production index has dropped only 7 points from its June high of 155; it'll be back up there by **January or February.**

Most of the dent in the economy has been put there by (1) **lost output of steel itself** as a portion of production, and (2) **spreading disruptions** in autos and other consumers' durable goods due to the strike.

Softgoods output held in new high ground right through the strike.

More surprising, **production of heavy equipment held up, too;** machinery output was higher in September and October than ever before.

Now the question is: Will steel have a delayed reaction on machinery?

Steel production will be recording a strong plus in the November index when the Federal Reserve Board adds up the figures a month from now.

However, **autos will be pulling the other way:** The industry was running much higher than normal in October by virtue of the early model change. But for November—usually a month of strongly rising tendencies—**Detroit's production curve is going down instead of up.**

This, of course, has the effect, when allowance is made for seasonal variation, of emphasizing the drop in unit output from October to November.

Compare the last three years and you'll get the picture of the wide deviations from normal in auto production:

- **In 1957** (a year of fairly normal tendencies) October production was 327,000 cars while the figure went to 570,000 in November.
- **In 1958** (when strikes crippled October despite the early changeover) output for the two months was 262,000 and 514,000.
- **In 1959** (with its **roaring start up**), October production topped 500,000 cars, but November isn't expected to go much above 275,000.

—•—

Factory employment should be above 16½-million—the best level since before the recession—by the time the December count is taken. Payrolls, may not show a proportionate increase, however; many workers may still be on short hours because of continuing imbalance in steel inventories.

—•—

Manufacturers who use steel are not the only ones who will feel **lingering effects of the strike** on their inventories. Troubles will persist in

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
NOV. 21, 1959

the channels of distribution, as well. And, believe it or not, these things will be giving a lot of economists a headache, too.

Inventory uncertainties have accounted for some of the troubles the Washington economists have had in estimating third-quarter results.

First, you may remember, they figured the gross national product at a \$481-billion annual rate for that period. This would have been only \$3½-billion below the record level for the second quarter.

But **they didn't allow enough for inventory liquidation.** Now the quarter's estimated rate has been lowered to \$478.6-billion.

Dangers of the same sort face the estimators in the fourth quarter.

Of the elements that go to make up gross national product, **most will be on the rise.** But, for the first six weeks of the quarter, inventories were still declining. And there will be little upturn before Christmas.

Manufacturers will hardly get enough steel for their working needs.

More than that, auto makers will be lucky to produce as many cars as dealers are selling. **So retail stocks of cars can't build up much.**

Actually, this GNP figure representing the dollar value of all goods produced and services rendered can hardly score more than a modest rise during the final quarter of 1959.

Not many people will worry about this, because **the preponderance of opinion is that gross national product will take off—fast—in 1960.**

But it is worth noting that the fourth-quarter rate at, say, \$485-billion, would be about \$10-billion below the pre-strike expectations.

—●—

Purchasing agents are experiencing **some perplexities in nonferrous metals** as well as in steel. Copper, whose price threatened to go out of sight a week ago because of strikes, turned down in London this week when it began to look as if a wage settlement were in sight at U. S. mines.

Another clue: Custom smelters in this country pared their buying prices on copper scrap on Monday and again on Tuesday.

However, refiners' stocks of the red metal have been cut sharply. **Only liberal imports can ward off a pinch, even if mines reopen soon.**

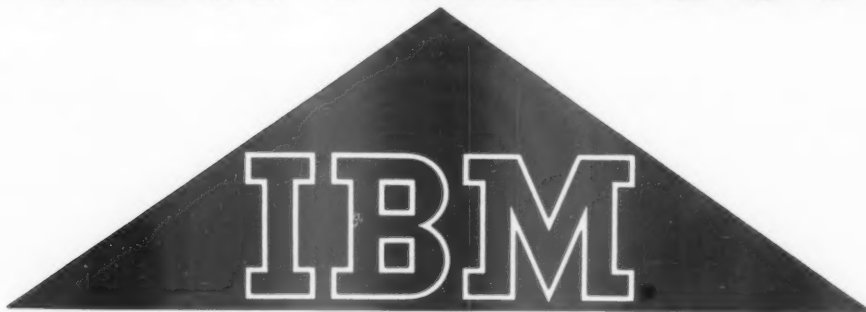
Tin prices have been buoyant even though the quotas of producing nations have been raised twice in recent months.

Now the buffer pool, which almost floundered trying to support prices not so long ago, has had to sell heavily to stabilize things. And the British government has slated the sale of the last of its stockpile tin.

—●—

Here's a trend to watch: **Housing starts in October fell to an annual rate of 1,180,000** (down from 1,325,000 in September and more than 1.4-million early in the year). A decline had been looked for—but **this drop was sooner and deeper, by quite a margin, than most observers had anticipated.**

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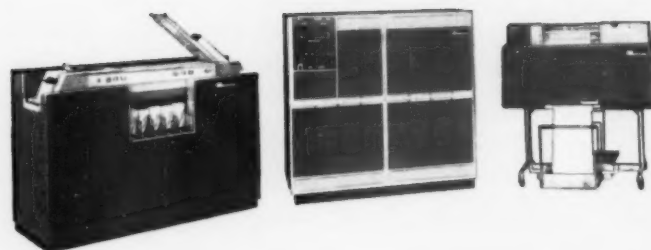


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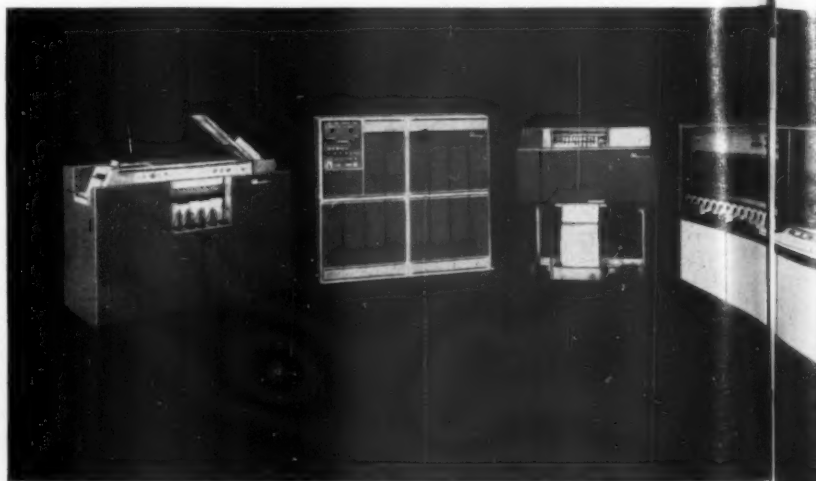
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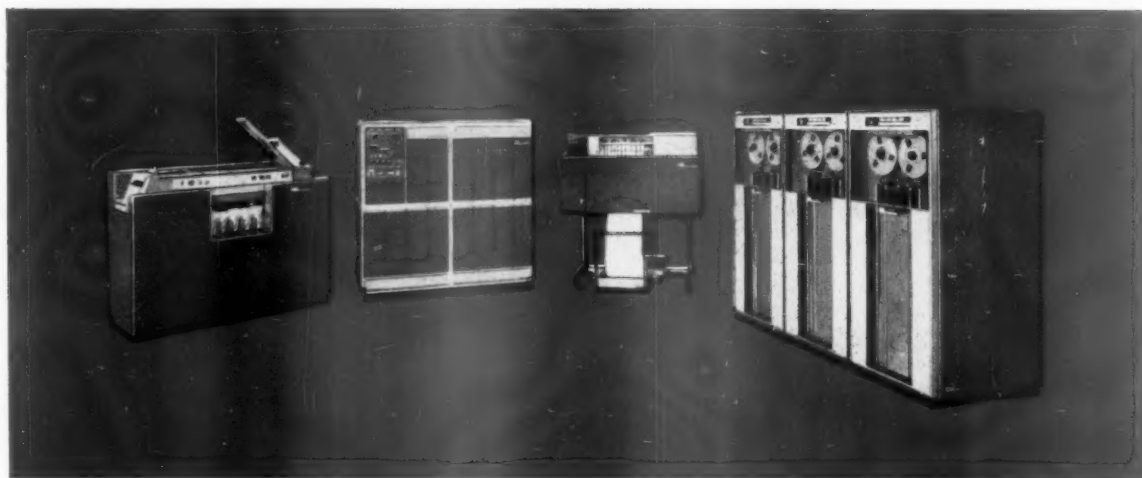
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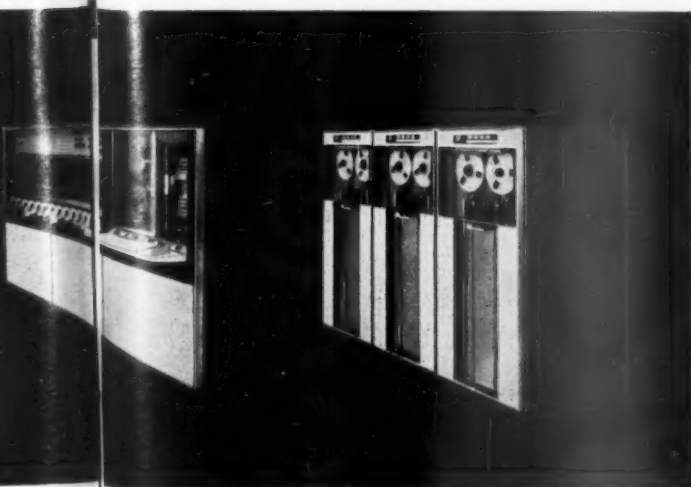
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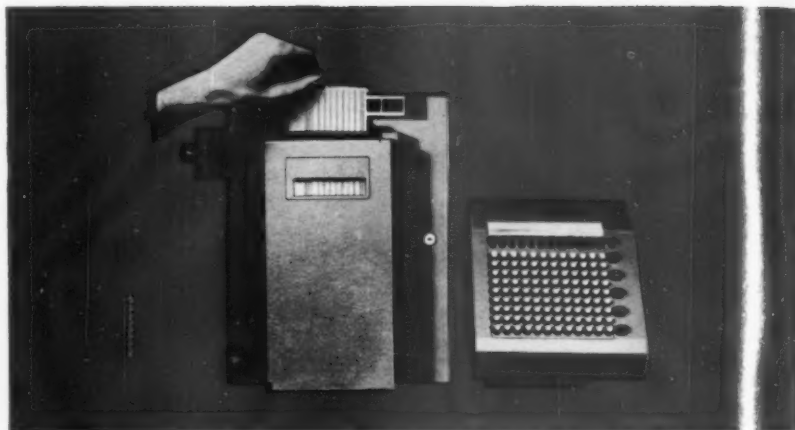
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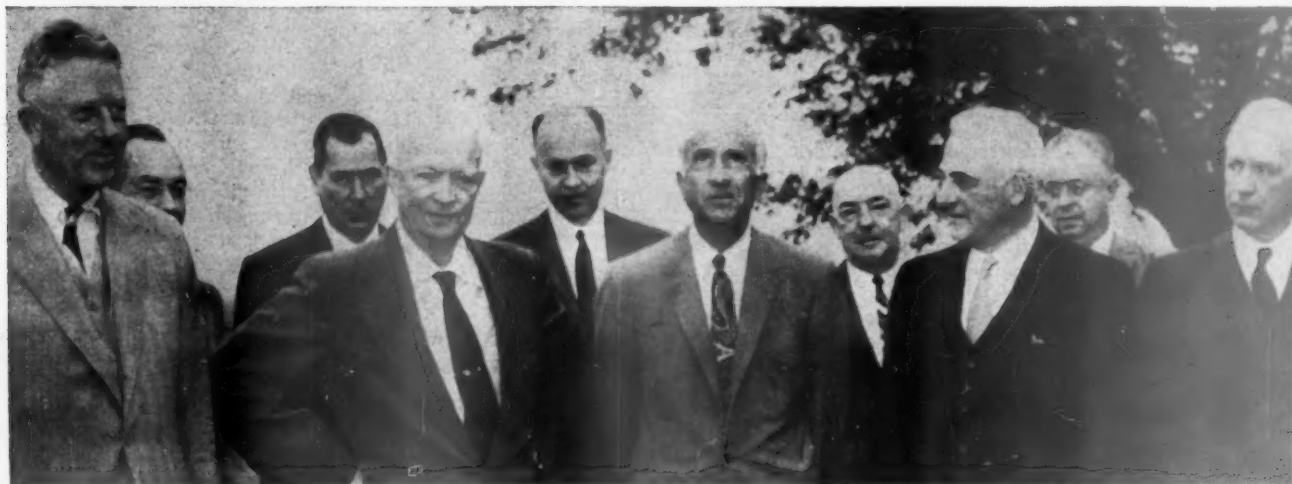
IBM engineer checks type chain used in the new high-speed printer for the IBM 1401 Systems.



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HOLDING DOWN next year's defense budget to \$41-billion or a bit more was upshot of Augusta meeting of Pres. Eisenhower with

Defense Secy. McElroy (left), Budget Director Stans (behind him), and others. This is big part of Eisenhower plan for . . .

Getting New Budget in Balance

● Despite all hold-down efforts there'll be some rise in spending over this year.

● But Administration banks on jump in revenues from expanding business to provide surplus for next fiscal year.

● For current year, though, steel strike has about ended hopes of getting out of red.

● Spending areas giving particular trouble for next year: interest on debt, farm outlays.

Administration officials this week blocked out the broad framework of a balanced budget of more than \$80-billion for the fiscal year beginning next July 1.

Officials were under hurry-up orders to complete the budget for presentation to Pres. Eisenhower for approval before he takes off Dec. 3 for his Asian-European tour.

Defense Secy. Neil H. McElroy and Budget Director Maurice H. Stans met with Eisenhower at his vacation resort in Augusta, Ga. (picture), to hammer out the essential details of the defense budget, the biggest sector of federal spending.

They settled on defense spending of \$41-billion, or at most "slightly more" than that—about the same amount as in the current budget. Though the overall totals are the same for both years, the rise in cost of weapons production means that there will be some reductions and stretchouts in the new fiscal year.

McElroy disclosed plans to knock out construction of a \$380-million atom-powered aircraft carrier. He indicated that other programs for development of such weapons as the Titan ICBM and B-58 bomber also may be cut back or dropped from the new budget.

• **Unavoidable Rise . . .**—In Washington, budget figures were undergoing fre-

quent changes as agency heads reached the showdown stage in apportioning funds for programs in the next fiscal year.

Despite all efforts of the Administration to hold down spending, federal expenditures appear certain to rise over this year's current budget of \$79-billion. In large part, this is due to expected higher outlays for interest costs, and possibly for agricultural programs. Partly, too, this is the result of built-in increases stemming from previous Congressional and Administration commitments—a larger public works program, expanded civilian space and aviation activities, and a new veterans' pension program.

• **. . . But Balance, Too**—Even in the face of these increases, however, Administration officials are more confident of balancing a new budget than they have been in several years. Their optimism is based on the assumption of government economists that there will be a high and expanding level of business activity through the spring of 1961—a rise that would bring in greater revenues.

Final revenue estimates will be the last figures to be fixed for the new budget, and these won't be handed in until Christmas time. But government experts feel now that revenues might hit a total of \$82-billion to \$83-billion

in fiscal 1961—some \$3-billion to \$4-billion above estimates for the current fiscal year.

Most of the increases probably would come from yields on rising personal incomes. Corporate profits, which had been estimated at \$48.5-billion in the current budget, are expected to produce a smaller part of the increase next fiscal year. This is because profits generally tend to begin leveling off as the boom matures.

I. What Steel Strike Did

The Administration is intensifying its efforts to balance the fiscal 1961 budget—the last one Pres. Eisenhower will have a hand in carrying out—because of the rising probability that the current budget will wind up in the red, as did last year's.

The steel strike dealt a blow to Administration hopes for balancing this year's budget by cutting into the tax take from corporate profits. In addition, pressure to spend more on government programs has been somewhat heavier than officials anticipated when the Administration put out its review of the current year's budget just last September.

"It looks like we're back in the well again this time," says one top official. "But the battle of the budget still is not over; it will go right on in the fiscal 1961 budget."

- **Melting Away**—The official midyear review predicted spending for the year ending next June 30 at \$78.9-billion, and revenues of \$79-billion—which would have produced a paper-thin surplus of \$100-million.

But these estimates misguessed the length of the steel strike, and as it dragged out budget officials saw their fragile surplus melting away. Corporate profits in the current fiscal year had been estimated to total \$48.5-billion. At current rates, the government would collect about half—say \$24-billion. Now officials admit the federal cut of profits is down, but they say they won't guess how much: "It could run anywhere from a buck to a billion."

Administration officials haven't completely given up hope that this year's budget might, somehow, still be balanced. But they admit they "don't see much to take encouragement from."

- **Bright Spot**—One bright spot in all this: It's practically unanimous that the steel strike has stretched out the length of the boom. Instead of a recession that might begin early in 1961, Administration officials now look for a high level of prosperity through the first half of 1961.

At the same time, corporate profits are expected to recover any setback from steel by the time the fiscal 1961 budget takes effect on July 1, 1960.

It's this timing and the likely stretch-out of the boom into 1961 that open the prospect of higher federal revenues and a budget surplus.

II. Formula for Balance

In attempting to hold down spending for the new budget, the Administration has adopted the simple formula of trying to hold expenditures on most major programs to the level of the current budget.

For instance:

- The fiscal 1961 defense budget of \$41-billion matches in total the current budget expenditures. But within this over-all total, the weapons mix is shifting—more emphasis is placed on rockets and space, less on manned aircraft. Missile spending will probably hit around a \$5-billion mark, while spending for aircraft falls below \$6-billion for the first time in recent years.

- Atomic energy spending will remain stable at \$2.7-billion. The Atomic Energy Commission is lopping off seven atomic reactor development programs and is concentrating on only two: a pressurized water reactor and a boiling water reactor. It will settle eventually on only one of these, and the AEC currently is leaning to the pressurized reactor concept.

- Health, Education & Welfare spending of \$3.5-billion in current fiscal 1960 will be the same in fiscal 1961. Some increases are slated for food and drug enforcement and pollution research, but these higher funds are expected to come at the expense of other programs.

- **Tight Fit**—But as an Administration official admits, "it's proving difficult to try to shoehorn the budget into set limits."

Two areas particularly are troublesome—interest on the national debt, and agricultural outlays. Both are putting pressure on this year's budget and may prove even more of a problem by the time the new fiscal year rolls around next summer.

- Interest costs could approach \$10-billion in the upcoming budget because of the volume of securities that will have to be refunded.

- Agricultural production has started to rise sharply again after several years of stability. Agriculture Dept. experts believe federal agricultural outlays could rise \$300-million in fiscal 1961 to a total of \$6.3-billion, as against the current year's estimate of \$6-billion.

Apprehensive over further large additions to the nation's budding agricultural stockpiles, Agriculture Secy. Benson has proposed a new farm program that would cut government support prices. But it is unlikely that Congress would consent to such a program during an election year.

Sonnabend

Chance of a compromise is still seen, but Kirby's firing of Wallace came as a bitter pill for Sonnabend.

A proxy fight loomed this week for control of Alleghany Corp., the leveraged investment company that was the crown jewel of the late Robert R. Young's empire. The outcome depends on the actions of four people (pictures):

Allan P. Kirby, Young's silent money partner who has been chairman and president of Alleghany since Young's death early in 1957. Kirby owns more than 11% of the 5.1-million outstanding common, plus warrants to buy 266,340 shares. He also has 10% of Alleghany's 6% convertible preferred—each share, plus \$3.75, can be exchanged for 4.7 common shares.

David W. Wallace, another former Young associate, now financial adviser to Young's widow. Until this week he was executive vice-president and operating head of Alleghany. In his own right, Wallace has just over 25,000 common shares of Alleghany; only last month, he exercised stock options to make the bulk of this purchase.

Anita O'Keefe Young, the widow, who received from Young's estate 100,000 shares of common. She also owns 12.1% of the 6% convertible and 39.1% of Alleghany's 4% prior preferred, each of which can be exchanged from 16 common shares.

A. M. Sonnabend, who heads Hotel Corp. of America and Botany Industries, Inc., and is an empire builder in his own right. He and a group of associates own more than 700,000 shares of Alleghany—nearly 15% of the common.

- **Sonnabend's Aim**—Sonnabend seeks to wrest control of Alleghany from Kirby. He hopes to have Wallace and Mrs. Young on his side. Kirby, on the other hand, is willing to discuss terms with Sonnabend if Wallace is out of the picture.

Alleghany has been prospering under Kirby and Wallace. In the first nine months of 1959, its assets—made up of holdings in Investors Diversified Services, Webb & Knapp, New York Central, and Missouri Pacific RR—have climbed 22% to \$162.5-million; net asset value per share was \$22.78 on Sept. 20, compared with \$18.38 on Dec. 31. The price of its stock has climbed from \$9.75 a share to above \$15—partly because of Sonnabend's buying.

Sonnabend sees in Alleghany a vehicle for making leveraged investments—which is how Young had conceived it. Though Alleghany has done well lately,

Ready for Proxy War in Alleghany



A. M. SONNABEND threatens a proxy fight after a flare-up with . . .



ALLAN P. KIRBY, Robert R. Young's successor at Alleghany Corp., over . . .



DAVID WALLACE, an executive Kirby ousted and financial adviser to . . .



ANITA O. YOUNG, widow of the founder. She holds the key to the controversy.

it has grown much more conservative in its operations.

• **Playing It Close**—Its conservatism is evident in the only big deal made since Young's death—a swap of \$19,950,000 of Webb & Knapp 5% notes plus warrants to purchase 10-million W&K shares at \$2.50 each for ownership of a \$35-million real estate project in downtown Denver and warrants to purchase 1-million W&K shares.

In changing from a creditor to a property owner, Alleghany will be gaining at least \$1-million in annual income, but in surrendering 9-million in warrants it is giving up enormous leverage that Young had engineered in making the original deal.

When the new arrangement was made last July, one former Young man

said, "Young would not have done it, because it means giving up a call on one of the biggest real estate companies in the country."

Alleghany also has set aside a cash reserve of some \$18.6-million, ostensibly to pay taxes if any of its holdings are sold. This makes it rich picking for any aggressive promoter who wants to plow the cash into likely situations.

• **Negotiating**—Sonnabend started buying Alleghany several months ago. But it wasn't until recently that he felt he had enough strength to bargain with Kirby. The two met on Tuesday, Nov. 10; they issued a statement that they would have to say in a week.

Then, on Friday, Nov. 13, Kirby announced that Sonnabend would be welcomed on the board. He added,

however, that Wallace had been dismissed and Charles T. Ireland installed in his place. Ireland had been at Alleghany before Young's victorious proxy battle for the New York Central; he had then moved over to become secretary of the railroad.

• **Crossed Up?**—Sonnabend promptly cried foul. He called the firing of Wallace a "breach of good faith," and revealed his version of events. On Tuesday, he had held a "friendly chat" with Kirby, telling him that "I hope to be elected to a seat on the board in view of my large holdings in Alleghany." Some of the discussion revolved around Wallace, who Sonnabend feels "is one of the brightest, most competent young executives I ever met." Sonnabend says he told Kirby that Wallace was needed at the helm of Alleghany, claims "We agreed he was to be promoted to president."

Then, on Thursday, two days after the meeting, Sonnabend said that Kirby telephoned him to say that the Nov. 17 meeting was unnecessary because Alleghany's board had agreed to Sonnabend's election. Sonnabend added, "He read me a statement to that effect."

On Friday, Kirby issued the statement. It contained a sentence which, Sonnabend says, was not in the original—a sentence announcing the naming of Ireland and the dropping of Wallace.

"Nobody," Sonnabend told *BUSINESS WEEK*, "could have been more shocked than I was when a newspaper reporter called me up late Friday and read a statement by Allan P. Kirby announcing the election of Charles T. Ireland—whoever he is—to the post of executive vice-president of Alleghany."

• **Proxy Fight**—On Monday, Nov. 16, Sonnabend said he had "no alternative" but to wage a proxy fight. "There is no question but that I will try to see there is a new board of directors at Alleghany," he told *BUSINESS WEEK*, adding that he wanted both Wallace and Mrs. Young to serve on the reorganized board.

The other figures in the battle made no statements.

• **SEC Muzzle**—At midweek, the Securities & Exchange Commission stepped in to muzzle Sonnabend. It advised him to stop talking to the press until he had filed a proxy solicitation. Sonnabend's attorneys say that it will be a few days before a final decision is reached, leaving open the possibility that Kirby and Sonnabend will have another meeting.

But this seems unlikely. While it has never been Sonnabend's practice to engage in proxy battles, his all-out sup-

port for Wallace is a barrier to any deal with Kirby.

• **Kirby's Position**—Kirby was willing to accept Sonnabend as a member of Alleghany's board and still is. But he does not feel that he had given any commitment to keep Wallace. Alleghany officials say that Wallace was dismissed because Kirby felt that Wallace had dickered with Sonnabend on his own.

Wallace's closest associates say that he had been dissatisfied with his role at Alleghany. He wanted a bigger voice

in policy, which Kirby had refused to give him, despite Mrs. Young's backing. Wallace was dismissed at a special meeting of Alleghany's executive committee—without Mrs. Young's knowledge.

• **Mrs. Young**—People in Kirby's camp say he did what Young would have done. And they are certain that Mrs. Young, despite the fact that Wallace has been her financial adviser since her husband's death, will not desert Kirby. As one of them put it, "Kirby never turned his back on Young, and Mrs. Young knows that better than anyone."

Utilities Place Their Bets . . .

. . . on one of the proposed substitutes for the conventional generator—an Avco magnetohydrodynamic system.

Back before the turn of the century, the electrical industry began to amount to something when it broke away from the battery and started to get its current from the whirling generator. For the first time, that provided electricity reliably and in large quantities from the energy of falling water or of burning fuel.

But ever since, in at least a desultory way, electrical men have been trying to get away from the generator. Despite its usefulness, it is a complicated and inefficient way to produce electricity. You burn fuel to produce heat; the heat makes steam; the steam drives an engine; the engine spins a generator; and there, finally, as the spinning generator swishes wires cross a magnetic field, electric current shows up in the wires. And even in the best equipment, the electricity you get is only about 40% of the energy in the fuel.

• **Developments**—It has always seemed as if it ought to be possible to go more directly from fuel to current on something more than a miniature scale. But only in the last few years have developments in electronics, semiconductors, chemical catalysts, and high temperature materials made this look practical. In recent months a whole series of different and promising devices have come out of the laboratory. They include:

The fuel cell, which converts the chemical energy of fuel directly into electricity. Many are in the works. One of the experimenters, Allis-Chalmers Mfg. Co., has demonstrated a tractor running off propane gas (BW-Oct.17'59,p39).

Thermoelectric devices, in which electricity is produced when heat is applied across the junction of dissimilar metals or semi-conductors (BW-Sep.6'58,p44).

Thermionic emission, a phenomenon in which conductive materials, when heated, give off electrons. This process,

the basic principle behind electronic tubes, has been harnessed to produce about 40 watts at the Los Alamos Laboratory. General Electric developed a thermionic converter two years ago (BW-Dec.7'57,p117).

Solar cells, which convert sunlight into electricity, are being used to power electronic equipment in some satellites, and have already found specialized commercial uses (BW-Jul.20'57,p66).

Magnetohydrodynamics, (MHD) in which power is extracted directly from the motion of ionized gas through a magnetic field (BW-Nov.7'59,p107).

All of these look promising for one special application or another. The big question has been: Could any one of them actually replace the generator in the big power plants of the electric utilities?

• **The Backers**—This week, 10 major U.S. power companies decided that for magnetohydrodynamics the answer might be yes, and they banded together to back Avco Corp.'s efforts to generate big blocks of power by MHD. The companies are: Appalachian Power, Central Illinois Light, Dayton Power & Light, Illinois Power, Indiana & Michigan Electric, Indianapolis Power & Light, Kansas City Power, Louisville Gas & Electric, Ohio Power, and Union Electric, of St. Louis.

Avco, working with a 10-kw. experimental MHD generator at its Everett (Mass.) lab, has achieved brief bursts of power that convinced the researchers that the principle is sound, though they still aren't certain that it is economically practical. Now that it has the backing of the utilities, Avco is building a 100-kw. machine that it hopes will answer the question of costs. Preliminary estimates now are that capital costs may be roughly equal to an equivalent steam plant, while MHD promises thermal efficiencies in the 55%-60% range, compared to steam's very best, 40%.

Strings on Aid

As economists meet to oppose further restrictions, the Administration extends its "tied aid" policy.

Since the days of the Marshall Plan, professional economists in the academic and business world generally have given strong support to the foreign economic policy pursued by this country, first under Truman's Administration and then under Eisenhower's.

To the extent that these economists have been molders of opinion (many of them have also been working in or for the government), they have helped mobilize public and Congressional support for the aid and trade policies of both Presidents.

Today, however, the "troops" are in revolt, notably a large contingent from the universities and foreign policy research institutions. They are strongly opposed to the way Secy. of the Treasury Robert B. Anderson is revising past policies—especially those that affect foreign economic aid and military spending abroad—in order to meet the U.S. balance-of-payments problem (BW-Nov.7'59,p32).

• **Too Late**—In a new effort to mobilize opinion, this time against the government, some of these rebel economists, along with a more neutral minority that came mainly from the business world, got together this week at Princeton, N. J., in a "Balance of Payments Conference."

The idea of the conference sponsors, headed by Stanford Research Institute, was to fire a salvo at the Administration—and to head off further "restrictive" policy changes.

Their timing wasn't too good. An hour or so before the group gathered for luncheon at the Princeton Inn, Secy. of State Christian Herter told the National Foreign Trade Council in New York about a new Administration move to strengthen the U.S. payments position. This was an extension of the controversial new requirement that some of our foreign aid funds be used only to buy U.S. goods.

• **The New Rule**—Herter announced that this policy, applied a few weeks ago to the Development Loan Fund, would now be used by the International Cooperation Administration in granting "project" funds for such things as power plants, harbors, and railroads.

Thus, the Administration has extended the "tied aid" principle to all capital goods financed through U.S. economic assistance programs. In effect, it brings ICA grants and DLF "soft"

loans into line with the "Buy American" principle that the Export-Import Bank normally applies to its "hard" loans.

• **Parting Shot**—When this news reached Princeton in mid-afternoon, sponsors of the conference were taken aback. Already dismayed by the earlier decision on DLF, they had hoped to head off any change in ICA practices. Now they were reduced to denouncing what had already happened.

This the conference resolution did, calling the tying of our loans and grants a "palliative" that would do little to ease our payments position. Although original language charging the Administration with introducing "new export subsidies into international trade" was eliminated, the resolution still warned against encouraging other "countries to extend ties on their foreign aid."

The rebel group also directed its fire at two Administration moves that might, in its view, be impending—a sizable cut in foreign aid spending and a reduction in U.S. troops abroad (page 25). They argued that there was no justification for the first on balance of payments grounds and, as for the second, that balance of payments was not an appropriate criterion to apply.

• **Guarded Approval**—The Administration did get backing for something it already is doing—applying pressure on foreign nations to lift restrictions on imports of dollar goods. And it was encouraged to stick with its policy of keeping our own trade barriers at a minimum.

On one point—opposition to devaluation of the dollar—Administration policy was fully endorsed. After the intervention of a New York bank economist, Anderson also got grudging support for his efforts to check inflation at home, specifically by balancing the budget.

• **Mostly Alarm**—But the tone of the conference resolution, and of much of the discussion, was one of alarm at what the Administration is doing. In effect, the resolution accused Anderson of reacting "in haste and panic."

Some of the conferees even seemed to doubt that there really is a serious payments problem, though the majority accepted this. Several academic and business economists—more worried by the problem than by what the Administration is doing to meet it—expressed the view that their colleagues seemed to think it could be solved painlessly.

An economist from a big industrial corporation left the session wondering aloud when such a group would examine the "real issue"—whether the U.S. "has priced itself out of world markets." The discussion on this point had been brief and inconclusive.

TV Scandal May Make New Law

Congressmen draft bills; committees widen their sights to the program rating services; the Justice Dept. and FCC ready their own probes.

Far from showing any signs of abating, television's troubles in Washington seem to be mounting, if anything, as the probers widen their inquiries and more and more voices chime in.

This week, the furor extended to the industry's influential program rating services, scheduled as the subject for Congressional hearings soon. And it begins to look as if legislation to control programing may get serious consideration; two bills are already in preparation. All in all, there was activity affecting the TV industry in two Congressional subcommittees, the Justice Dept., the Federal Communications Commission, and among influential outside observers.

In the Senate Commerce subcommittee, headed by Sen. A. S. (Mike) Monroney (D-Okla.), plans were announced to hold hearings on the rating services, which spell life or death for most TV programs. Simultaneously, Pres. Robert F. Hurleigh of Mutual Broadcasting Co. attacked the ratings as "huge projections based on small samplings." He said that Monroney's subcommittee has "a great amount of evidence to show that ratings, too, are rigged."

Sources in the subcommittee say they know nothing so far that proves deliberate rigging of the ratings. But Monroney feels the services are "at least inadequate if not inaccurate." He has sent questionnaires to hundreds of advertising agencies and sponsors to determine how much weight they give the ratings—and how truly they believe ratings reflect public taste.

The crux is whether broadcasters have "abandoned their responsibilities" for good programing to rating services such as Nielsen and Trendex. If programing is based strictly on ratings, Monroney thinks Congress should step in. He is drafting legislation that would require FCC to consider a station's record in public service programing when a license comes up for renewal. In addition, stations might be required to give a certain percentage of prime time to public service.

In the House Legislative Oversight subcommittee, scene of the quiz show hearings, another bill is in the works for introduction next year. The subcommittee chairman, Rep. Oren Harris (D-Ark.), won't reveal its contents specifically. But it would probably ban the broadcasting of deceptive or fraudulent programs. It might also make FCC

the official watchdog of programing practices, if not content.

However, there would be opposition within the subcommittee to granting even this much censorship power to the FCC. "I don't want anybody in the government policing programs," says Rep. Richard Bennett of Michigan, the ranking Republican. Bennett, who favors criminal penalties for phony programing, thinks Congress should go no further than to provide for FCC licensing of the networks. He has introduced a bill to that end.

The House subcommittee's hearings early next session will concentrate on the various bills proposed to fix the responsibility for TV shows. But the group has its staff busy piling up evidence on another subject sure to win headlines—"payola," or the practice of paying disk jockeys to plug tunes or producers to promote certain products.

In the Justice Dept., studies are now under way to determine who holds what power over broadcasting. Justice hopes to release its findings and recommendations before Congress reopens in January.

In the FCC, a series of hearings will begin Dec. 7 and probably continue for at least a year, in an attempt to answer two soul-searching questions:

Exactly how much authority over broadcasting does FCC hold, and does the commission want Congress to pass legislation fixing responsibility for program content? FCC Chmn. John C. Doerfer thinks his group can't even probe program honesty, since it's expressly forbidden to censor. But other commissioners disagree.

In addition, the FCC hearings will cover other topics, such as how to straighten out quiz shows, stop the "payola" system, and tone down commercials.

• **FCC Critic**—To some observers, FCC's broad study is another delaying action. Dean Roscoe Barrow of the University of Cincinnati Law School, who headed a Congressional study of the networks several years ago, is critical of the agency. "The commission turns away from its responsibility to secure broadcasting in the public interest," Dean Barrow told BUSINESS WEEK. "They should pump some life into the license renewal process and hold broadcasters to the promises they make. But it takes a great deal of fortitude for the regulators to do this."

Barrow despairs of any genuine re-

forms emerging from the FCC. He points out that almost nothing has come of the dozen major changes in broadcasting operations he recommended more than two years ago, after a two-year study ordered by Congress (BW—Oct. 12 '57, p113).

• **Going Thataway**—Meanwhile, back at the networks, CBS spelled out just what its drive for greater responsibility in programming will mean in terms of operations. An internal memorandum from James T. Aubrey Jr., executive vice-president of the network, specifies that full disclosure must be made of all less than spontaneous practices on any program.

Said Aubrey: "Our study has disclosed practices which, though relatively minor compared to the deceptions in the quiz programs, do prevent us from saying to the public that all of our programs are 'exactly what they purport to be.'"

Under the head of "Games and Contests," he ruled that "any element of preparation or rehearsal . . . must be disclosed" even in the penny-ante prize shows which CBS will continue to present. For interviews and discussions, he decreed that any rehearsals or editing must be announced. For all programs, where any use is made of pre-recordings or artificial laughter and applause, he stipulated that this fact must be fully disclosed.

The fact that CBS' long-awaited ground rules came from Aubrey strengthens speculation that he is slated to assume presidency of the network if ailing Pres. Louis Cowan should be unable to return to his duties.

• **Program Upgrading**—In concurrent developments, CBS acknowledged to BUSINESS WEEK that it is strongly thinking of leading some of its public service shows out of the Sunday afternoon intellectual ghetto and into prime evening time.

The network is also formulating its own more rigorous code of restraints on the commercials it will accept for broadcast.

Contrary to some reports, these moves do not add up to CBS experimentation with the magazine concept of television sponsorship. CBS says it has no intention of selling time according to the British system, under which sponsors buy time with no ostensible control over its placement.

• **Teenage Idol**—ABC, which has escaped public opprobrium so far since it never carried quiz shows, announced that its leading TV disk jockey, Dick Clark, will divest himself of interests in recording and sheet music companies. The network states that Clark has satisfied it that he did not use air time to discriminate in favor of his own songs. But it has asked for the divestment to avoid any possible conflict of interest.

Ordeal of Cranberry

● Only a small portion of the cranberry crop tested so far by FDA has been found contaminated by aminotriazole.

● But growers fear the housewife may have been scared off from buying the berries—which could mean ruin.

● And, for the future, if they abandon aminotriazole for other herbicides, they face big cost increases.

Since Secy. Arthur Flemming of Health, Education & Welfare warned housewives last week about contaminated cranberries (BW—Nov. 14 '59, p31), Food & Drug Administration regional offices have been working around the clock testing sample lots of berries. So far they have found that only a few of these berries bear traces of aminotriazole, the weed killer that can produce cancer in rats.

At midweek, FDA tested 440 lots of cranberries. It found five lots (80,000 lb.) to be definitely contaminated, and gave its clearance to 435 lots, representing 4.8-million lb. of cranberries. Three of the contaminated lots came from Oregon and Washington State, and were the basis of Flemming's original warning. Two batches from Wisconsin also were found to be tainted. The lots that were cleared by FDA came from many growing areas: Massachusetts, 203; Wisconsin, 62; New Jersey, 88; Washington, 27; and the remainder from other states.

The cranberry industry also is conducting tests to speed shipment of clean berries to the market in time for Thanksgiving.

• **Industry Appeal**—Because these procedures are slow, industry representatives at a public meeting in Washington appealed to Flemming to adopt a plan they felt would get cranberries on the harvest table with adequate protection for the consumer. They want the government to issue a blanket O.K. for the canned cranberries now on grocery store shelves. They say almost all of these products were made with berries from the 1958 crop and they insist there is no proof these berries were contaminated. Meanwhile, they say, the government and industry would continue testing and clearing the 1959 crop.

Flemming, however, was unlikely to reverse himself so completely, since only a small part of the 1958 crop actually has been tested. But within a few hours after a midweek conference, Flemming and industry representatives said they were working on a compromise agreement.

In the Northwest, where the blow

against growers struck hardest, William Ross, manager of the Ocean Spray processing plant at Markham, Wash., says the future of the 1959 crop depends on the reaction of the American housewife. "We can't possibly predict what's going to happen. We are bewildered as hell. There's a lot of 'ifs' to this thing yet." A pessimistic Washington grower fears it may take consumers 10 years to get over the scare.

But the possibility of consumer resistance is only one of the problems cranberry growers face. Many in the Northwest are threatened with disaster. And even if they do survive, they still have to tackle the problem of finding a substitute for aminotriazole or face equally ruinous cost increases.

• **Financial Squeeze**—Cranberry men belonging to the Ocean Spray cooperative, which handles 75% or more of the nation's total crop, already have been advanced half of the projected value of their crop. Growers in the Washington-Oregon area were advanced something more than \$750,000. But now they fear they may have to give some of this money back. Since these farmers have spent more than the advanced money on bringing their berries to harvest and may get no further payments, some may be forced out of business.

• **Weed Problem**—But even if growers weather the loss of this year's crop revenue, they still have to find a substitute for aminotriazole. To understand the problem you have to know something about how cranberries are grown.

It takes four things to grow cranberries: water, peat bogs with drainage, sand, and the right climate. You drain the land, scoop off the earth to the clean peat, then cover it with two inches of sand. Then you plant cranberry cuttings through the sand into the bog. You then hand weed or chemical weed your bog for four to five years, when the vines begin to bear berries. By this time, the cranberry vines cover the bog like one great blanket of plants, which must be pruned and weeded.

Your chief problem in cranberry growing is the weeds, which thrive in the irrigated sand and peat bogs. They

Growers

will take over a bog and ruin it in a season if not checked constantly.

• **Effective Herbicide**—At first, growers kept the weeds under control by pulling them. After that came the sprays, the best of which was a paint thinner. Then in 1957 aminotriazole was introduced, and it turned out to be much more effective than anything the growers had used before. In addition, the new weed killer was cheap. Aminotriazole costs about \$10 an acre; paint thinner costs about \$150 an acre.

Cranberry farmers who bought aminotriazole in 1957 said they used it at their own risk. At that time, they say, there was no warning to use it only on a post-harvest basis. This ruling came from the Agriculture Dept. in 1958. And the growers adhered to it during the 1958 growing season.

• **Unfulfilled Expectation**—But this year, some growers seemed confident that the weed killer would get clearance for pre-harvest use on the grounds the residue on the fruit was too slight to be harmful. They were so sure, in fact, that they went ahead and used it before the harvest without clearance.

One of the largest cranberry growers in the Northwest explains their position this way: "We were led to believe after the Agriculture Dept.'s post-harvest approval of 1958, that the government was about to set up a residue tolerance of one part per million and that we would get this in April or May of this spring. But it was postponed. Then it was a matter of the clearance being announced any day, any moment from Washington.

"On the strength of this hearsay, growers put aminotriazole on this spring, where it would do the most good, in heavy weeded bogs, and while it would do the most good (in spring it gets a better shot at maturing weeds). Then out of the blue it was turned down."

In June, when adverse reports on pre-harvest use of aminotriazole started to come in, some growers who used it before harvest threw away the affected berries. It's estimated that 10% of the Washington crop was dumped.

• **New Blow**—But then, to make matters worse for the growers, checks of the 1958 crop—treated with the weed killer only on a post-harvest basis—showed that some of these berries were contaminated, too.

As a result, says Ross of Ocean Spray's Washington plant, "Ocean Spray members can't use it at all—can't even have the stuff on their plantation."

And other growers have been advised by the Agriculture Dept. not to use aminotriazole until further notice.

If you ask growers about their future plans, they will tell you they don't know what they're going to do.

• **"Why Us?"**—In fact, some cranberry men are asking a question of their own: "Why did Flemming single out only cranberries?"

It may take a while to answer that one. Aminotriazole had also been registered by manufacturers under Agriculture Dept. labeling regulations for use on corn, and poison ivy in apple and

pear orchards—if sprayed before formation of the fruit. But FDA had received no information that indicated that any of these crops had been improperly treated.

But when the cranberry scare broke, FDA began getting tips that other crops also had been sprayed with the chemical before harvest instead of after. So far the agency has been so busy testing cranberry shipments, it has not had a chance to investigate other crops.



CIA Head Sees Soviet GNP Narrowing Gap

Allen W. Dulles, director of the Central Intelligence Agency (picture), this week added some new figures to the growing debate over U.S. and Soviet growth rates (page 192). He estimates that the Soviet Union's gross national product will amount to 50% to 55% of U.S. GNP by 1970—if the U.S. continues growing at moderate speed in the meantime.

In testimony before a subcommittee of the Congressional Joint Economic Committee (BW—Nov. 14 '59, p148), he warned that the U.S. should increase "our recent rate of growth, which has been less than 3% a year over the last six or seven years, to hold

the Soviets to such limited gains."

Dulles agreed with a panel of economists at the hearings that the Soviets have "dangerously narrowed" the gap between their economy and that of the U.S. According to CIA figures, Soviet GNP will climb 6% a year through 1965—but in the industrial sector, the rate will be 8% or 9%. Should Russia's GNP reach 80% of the U.S., Dulles warned, the U.S. would have to intensify its military preparations because of enhanced Soviet ability to make war. At the moment, Dulles added, the Reds' military effort "in terms of value, is roughly comparable to our own."

"I'd like to see industry and labor left alone as much as possible to work out their own problems . . . but I do think (antitrust laws) should have been applied to unions a long time ago."

— Pres. Albert A. Silverman of Vilter Mfg. Co., Milwaukee.

"I'd favor compulsory arbitration — after a reasonable time had been allowed for collective bargaining. This is most necessary in any strike where the welfare of the nation is involved . . . it would also prevent undue hardships for the workers."

— Chmn. Robert I. Ingalls, jr., of Ingalls Industries, Inc.

"The combining of national unions for the establishment of common bargaining demands or the use of economic power should be prohibited . . ."

— Pres. George Romney of American Motors Corp.

"I'd like to see Congress prohibit industry-wide bargaining and force a return to the market-place in collective bargaining. . . . Compulsory arbitration would kill industrial initiative as well as cripple union action."

— Vice-Pres. Gerry Morse of Minneapolis-Honeywell Regulator Co.

"I'm opposed to any kind of legislation covering collective bargaining. The best thing is still for both sides just to hammer it out over the bargaining table."

— A Detroit labor relations vice-president.

Businessmen and Labor Men Are

Washington is full of ideas for preventing any repetition of the kind of head-on labor-management collision that produced the longest steel strike on record this summer. But around the country management and labor want pretty much just to be left alone. This week, while congressmen and the Administration talked of making new laws and amending old laws in an effort to prevent prolonged shutdowns of entire industries, BUSINESS WEEK reporters in the nation's major industrial centers asked hundreds of business and labor leaders what kind of government action they would like—and would abhor—to see.

The consensus:

- Many businessmen say it would be a fine idea to apply antitrust laws to labor unions, and to prohibit industry-wide bargaining.

- Most labor leaders think it would be equally good for the government to set up fact-finding groups before a strike develops in a major industry.

- But few on either side want anything to do with compulsory arbitration of labor disputes; with a formal, judicial arbitration court; with "boards of accountability" to which each side would have to justify actions that led to a strike; or with granting the President power to seize struck plants.

- **No Radical Change**—BUSINESS WEEK doesn't claim to have produced a nose-counting poll of management and labor

on this subject—merely to have intensively sampled sentiment among several hundred management and labor leaders. That sentiment emerges clearly. At present, hardly anyone who has given much thought to the issue wants to start tearing down and rebuilding the nation's labor legislation.

A few on each side are frankly fearful of the results if Congress starts its next session by hacking away at or adding to the present structure of labor law, and both sides cite the same reason: "It's going to be too emotional a time with the Taft-Hartley injunction against the dock strike expiring just after Christmas and the steel injunction on Jan. 26."

At the same time, some on each side are confident that Congress will do little or nothing about labor legislation next session. Again, they cite the same reason: "In an election year? Huh!"

- **Administration's Plan**—At midweek, Atty.-Gen. William P. Rogers said that if the steel strike is still unsettled when the injunction expires, the Justice Dept. will recommend that Pres. Eisenhower ask Congress for a package of alternative powers over steel labor and management.

The package would probably include compulsory arbitration, plant seizure, a fact-finding board with power to recommend settlement terms, and Eisenhower would have the right to choose from among devices. Rogers says his

recommendations to Eisenhower will apply only to the steel issue, not to the whole field of industrial disputes. But with Administration backing, the package plan would gain much weight as a general labor law.

Most of the businessmen and labor leaders to whom BUSINESS WEEK reporters talked are apprehensive about this plan. Many feel it would give a President too much discretionary power. Says an oil company executive: "With Ike in office that would be all right, but I'd never want a Truman to have such power." Many union officials say they, too, would oppose the plan for precisely the opposite reason.

The idea does get approval from a few. United Auto Workers Vice-Pres. Leonard Woodcock says: "The government should have a choice of weapons so that labor and management would be uncertain of when and how the government would act. This would keep the pressure on for collective bargaining."

I. Management's Posture

Whatever Congress may do, management's position is already set on many of the other alternatives. Businessmen are opposed almost solidly to granting Presidential power to seize strike-closed plants, opposed to compulsory arbitration, and opposed to establishment of judicial arbitration courts.

On seizure, their responses vary from

"Appointing special fact-finding boards wouldn't hurt and it might do a lot of good by letting everyone air the issues before the public. Apart from this, labor laws should stay as they are."

— Alfred Goldberg, Counsel for Wisconsin AFL-CIO.

"Compulsory arbitration is no good. It eliminates the only weapon we have — the strike."

— Harry Mayfield,
President of Columbus (Ohio) CIO Council.

"We'd be for a special fact-finding board appointed by the government if it had the power to force Roger Blough to sit down and answer under oath any questions that were put to him."

— Russell Thompson, president of
Local 4889, United Steelworkers.

"There have been very few strikes in the railroad industry . . . That's why the best way to reduce national industry-wide strikes is to set up something like the Railway Labor Act for industry generally."

— G. E. Leighty, President of
Railway Labor Executives Assn.

"The things you can put under antitrust are things you can own. Workers aren't a commodity. Labor sells its time, not itself."

— Joseph De Silva, secretary of Local 770
of Retail Clerks International Assn.

Cool on Law Changes

a calm but firm "No; it wouldn't do any good" to a frenetic "It's outright socialism."

They talk more calmly about compulsory arbitration and judicial arbitration of labor disputes. But the trouble with each scheme, as most management men see it, is that they must eventually lead to the government's taking a role in price-fixing.

• **Equal Footing**—More attractive to many of the businessmen to whom BUSINESS WEEK talked is the extension of antitrust laws to cover labor unions. This, they feel, would bring labor and management to the bargaining table on an equal footing, would halt the growth of union power, would permit more effective free, collective bargaining. But most seek mainly the feeling of equality it would give them. Says A. O. Smith Corp.'s Executive Vice-Pres. F. S. Cornell: "I suppose if corporations are going to be subject to the antitrust law, it's reasonable that others should be, too."

Whether a management man wants a ban on industrywide bargaining seems to depend mostly on the size of his company. The president of one small manufacturing company in Birmingham, Ala., says: "Bargaining individually, the union could ruin a business. When bargaining is industrywide, at least it can't do this." Executives of larger companies don't seem worried by that built-in threat.

American Motors' Pres. George Romney has a variation on this theme. He says: "Affiliated unions should be free to combine in bargaining with employers having fewer than 10,000 employees, but only within prescribed geographical limits. However, unions representing more than about 10,000 employees of a single employer should be prohibited from combining to establish collective bargaining demand or exercising joint economic power against more than one company."

II. Where Labor Stands

All these ideas, naturally, leave labor leaders cold. About the only legislation that union officials would care to see enacted is some scheme for establishing special fact-finding boards that would begin work before a strike started.

"The boards mightn't be a lot of use, but they wouldn't do any harm," says one Steelworkers' official. This seems a widespread view among labor leaders. The reason, one labor official explains, is the belief that in a time when employers have the strongest hand in collective bargaining, a fact-finding board probably would come up with recommendations making the best possible compromise for the union. He adds: "If you still have to strike, chances are that after the airing of views you'd be striking with public support."

(Management, though, doesn't seem

to care one way or the other about fact-finding boards, so long as the boards have no power to enforce their recommendations.)

• **Agreeing With Management**—Compulsory arbitration and establishment of arbitration courts get as much opposition from labor as from management. Giving the President the right to seize struck plants is opposed almost as strongly by both sides, though a few labor officials say that if it were written into the law at least the score would be even. "If management has Taft-Hartley on its side, there would be the threat of seizure to back up our side," says one union official.

III. A Middle Ground

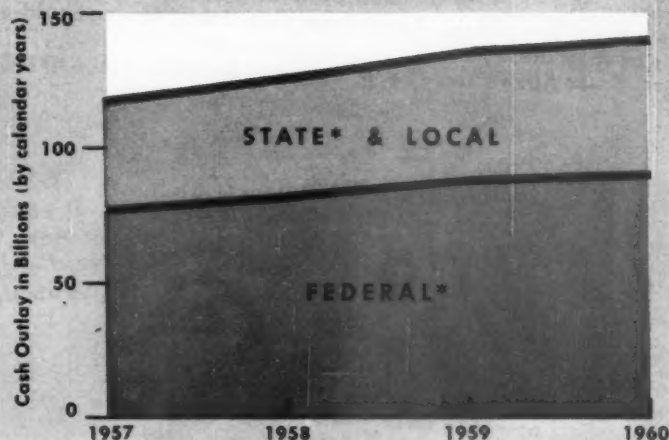
One thing BUSINESS WEEK's survey of sentiment does seem to point to is that though most management or labor officials are ready to say "something ought to be done," few have yet given much serious thought to what kind of labor laws they'd like to get from Congress. From most businessmen and labor leaders the responses come automatically and along doctrinaire lines—"Put unions under antitrust laws . . ." or "Repeal Taft-Hartley. . . ."

Among those on both sides who have thought carefully about the issues, there's a hesitancy to make any radical changes. A New York textile executive sums up: "The steel strike shouldn't be used as the basis for examining the whole labor-management situation. . . . Hard cases make bad laws."

'60 THE SHAPE OF

First in a series of analyses
of key elements in next
year's business situation.

I. GOVERNMENT SPENDING



*Federal grants to states are counted as state spending

Data: BUSINESS WEEK Estimate; Treasury; Dept. of Commerce.

Outlays Will Rise at All Levels

A look at the chart above shows how spending by government, the biggest enterprise in the U.S., will continue to grow in 1960. Cash outlays to the public will rise in 1960 at all levels—federal, state, and local—to an enormous sum ranging between \$140-billion and \$145-billion.

The debate over how far government should exert itself to stimulate greater economic growth waxed more heated every day. But even as it rages, the figures show that, inexorably, government outlays are rising to put a proportionally larger spending prop under the basic economy.

In 1960, over-all public spending will amount to close to 30% of gross national product—the total output of goods and services. In 1953, the first year of Pres. Eisenhower's Administration, over-all government spending accounted for about 27% of GNP.

Rising costs of conducting government, expanding population, and a growing demand for governmental services in the postwar world have all added to the upward push.

• **Over the Top**—It is likely that 1960 will be the last year in which federal spending is held below \$100-billion. Built-in increases in the budget are almost certain to act automatically to push spending across the \$100-billion mark in 1961—that is, when you include federal grants-in-aid to the states, which are credited to state spending in the chart above.

Federal spending shows up in two ways. First is the regular budget proc-

ess, which will account for about \$80-billion in calendar 1960. In addition to this are the trust funds—for highways, Social Security, railroad retirement, and so on. These, listed separately, will add about another \$21-billion in spending, less certain deductions for borrowing and interest payments between the funds and the Treasury Dept.

In all, federal outlays to the public during the calendar year 1960 shape up at around \$97-billion.

• **Frustration**—The year 1960 also closes out the last full year of the Eisenhower Administration's control over federal spending, a reign marked by frustration in one of its major goals. Entering office with the intention of reducing federal expenditures, Eisenhower has seen spending rise during his term by about one-third.

• **Preview**—Governments at all levels are now in the process of drafting their fiscal 1961 budgets, which will cover spending for the last half of calendar 1960, as well as the beginning of 1961. While the figures are not all in, enough are known to block out the general areas in which public moneys will be spent next year.

Accounting for the biggest slice are government payrolls, outpacing even federal defense spending. Government labor costs next year are likely to come to somewhat over \$44-billion, slightly more than half of it for state and local employees. While federal payroll costs have stabilized, wage costs at the state and local levels have been rising sharply in recent years. This is

accounted for in part by increases and services, but a big part is due to rising salaries, especially for teachers, who have been pressing for raises.

I. Military Shifts

Military spending by the Dept. of Defense next year should total about \$41-billion, or slightly more than this year. But though the over-all totals are rigid, the weapons mix will shift markedly next year; the Army figures to be downgraded even further.

And with the unit cost of weapons rising, a stabilized defense budget means fewer orders, reductions, stretch-outs, and cancellations in major weapons programs. Defense Secy. Neil H. McElroy, after a budget briefing with Pres. Eisenhower in Augusta, Ga., this week (page 25), disclosed plans for killing off a \$380-million atomic-powered aircraft carrier for the Navy. He also hinted that programs for such projects as the Titan ICBM, the B-70 and bombers, and the Minuteman missile also might be axed.

• **Some Down, Some Up**—The new year will see the gap between the amount spent on missiles and spending on manned aircraft closing faster. Aircraft production will probably be slimmed down below \$6-billion, while missile procurement will climb close to \$5-billion.

Electronics procurement will get greater emphasis, with expenditures topping \$1-billion. Research and development spending also is slated to



Milwaukee's Dramatic New Air Conditioned Municipal Building



Consulting Engineers:
Halvor H. Garos and Earl W. May
Electrical Contractors:
Magow Electric Co.
Architect:
Eschweiler & Eschweiler

...controls by **ALLEN-BRADLEY**, *of course*

Milwaukee's distinctive new Municipal Building—a dramatic example of long-range planning—combines beauty with utility. It is completely air conditioned, and, of course, the controls are by Allen-Bradley.

The established record of reliable performance is the reason Allen-Bradley motor control is specified for air conditioning systems by those who know! The famous solenoid design—which only Allen-Bradley offers in all starters up through Size 8—has the simplest contact mechanism yet devised. There is only ONE moving part . . . and this is your assurance of millions of trouble free operations through the years. There are no bearings to corrode and stick . . . no flexible jumpers to wear.

In addition, the double break, silver alloy contacts—standard on all A-B control—are always in perfect operating condition and remain so without service attention. Also, all A-B starters have permanently accurate thermal overload relays that prevent motor burn-outs. To insure years of reliable, maintenance free service—insist on Allen-Bradley *quality* motor control.

Allen-Bradley Co., 1332 S. Second St., Milwaukee 4, Wis.
In Canada: Allen-Bradley Canada Ltd., Galt, Ont.



This is the major A-B Bulletin 798 control center with A-B motor starters for the auxiliary equipment in the new Milwaukee Municipal Building. Adjacent cabinets to the right contain Allen-Bradley starters for the large compressor motors.

ALLEN - BRADLEY

Member of NEMA

Quality Motor Control

increase slightly to a figure of more than \$3-billion.

McElroy scotched any talk that the U.S. was preparing "immediately" to dismantle foreign bases or bring home U.S. troops abroad in any great number. However, McElroy did not dismiss such a possibility at a later date, especially when U.S.-based missile squadrons become more operational.

• **Space**—Civilian space exploration also will come in for bigger expenditures as the National Aeronautics & Space Administration takes over more functions from the Defense Dept. The final figure still is to be set by the Administration, but indications are that NASA will be spending at least \$100-million more next year.

II. Long and Short Term

Public construction is another big area of government spending. Estimates are now that total construction at all levels of government in 1960 will come to between \$16-billion and \$17-billion, down slightly from this year's estimated outlays (page 189).

Expenditures of state and local funds for construction projects are heading into some decline, but this will be offset in part by rises in federal aid.

Federal outlays under the head of public works could show a slight rise of say, \$100-million, up to a \$1.3-billion total, if spending is started on all 67 new projects added by Congress to public works legislation passed this year. But the Administration is likely to hold this spending to a minimum.

Federal outlays are likely to increase somewhat in 1960 for such things as airports, hospitals, urban renewal, and waste treatment plants.

Federal highway expenditures, however—a huge chunk of federal spending on construction—will take a sharp dip for the year. In the first half, there'll actually be a rise, but then a cutback is slated as the Administration tries to draw in its belt another notch for fiscal 1961. In all, federal highway spending in 1960 is likely to be several hundred million below the current annual rate of \$3.1-billion.

• **State and Local**—Reduced highway grants from Washington will put a crimp in state road building. And because highways make up 75% of the state's capital expenditures, this shrinkage will have a marked effect on overall state capital outlays. It now appears that these outlays, by local as well as state governments, will level off, if not actually decline.

Local government spending for school construction is definitely down (page 190). But schools make up only 35% of local government capital expenditures; and the decline there could be offset by increases in outlays for

other local projects such as streets, sewers, utilities, and the like.

• **Current Spending**—By contrast, current expenditures by both states and local governments are due for a steady rise. With the recession past, and the more recent steel industry shutdown out of the way, welfare payments are likely to drop. But on the other side, there's not only the rise in payrolls but the increasing cost of supplies and interest on borrowed money. Some state and local governments have been running deficits the past few years, and interest costs seem certain to rise, possibly to a \$2-billion total. All this will almost surely overbalance the decline in relief checks.

As the governments closest to home, states and localities in recent months have found acceptance for spending plans based on locally raised revenues—as distinct from such things as highways which depend largely on federal grants. State legislatures meeting this year have, by and large, gone along with the programs of their governors. And in this month's elections, voters balloting on bond issues showed a widespread willingness to go further into debt for improvements.

III. Other Spending

As for other big areas of federal spending, Chmn. John N. McCone of the Atomic Energy Commission has ruled out any crash programs in 1960 to step up atomic reactor development. Total expenditures appear to be stabilized at about \$2.7-billion.

• **Uncertainties**—Two major areas of uncertainty next year are interest and agricultural costs. U. S. budget makers do not rule out the possibility that federal interest costs could approach \$10-billion next year.

Agricultural production, after remaining stable for several years, has again started to increase. If yields continue as they have been going, officials at the U. S. Agriculture Dept. see total federal agricultural outlays climbing some \$300-million to a total of about \$6.3-billion in 1960.

• **Aid and Welfare**—In other federal spending: U. S. foreign aid is certain to be cut considerably below the levels requested by the State Dept. Best guess now is that spending will be cut somewhat below the current \$3.5-billion rate.

Spending by the Health, Education & Welfare Dept. is likely to remain at about the current \$3.5-billion level. Some \$2-billion will go for assistance to the aged, disabled, and other needy. Slight increases are likely for food and drug enforcement, Indian health, and pollution research. These rises, however, are likely to be balanced out by decreases elsewhere.

Mergers Brewing

Vertol-Boeing and Studebaker-Packard's acquisition of Oliver Corp.'s farm equipment are high on the latest list.

It was a busy week for corporate marriages:

Vertol Aircraft Corp. gave up its role as the perennial bridesmaid. The Morton (Pa.) helicopter company (nine-month 1959 sales: \$29.6-million) announced plans for a merger with giant **Boeing Airplane Co.** (nine-month 1959 sales: \$1.1-billion).

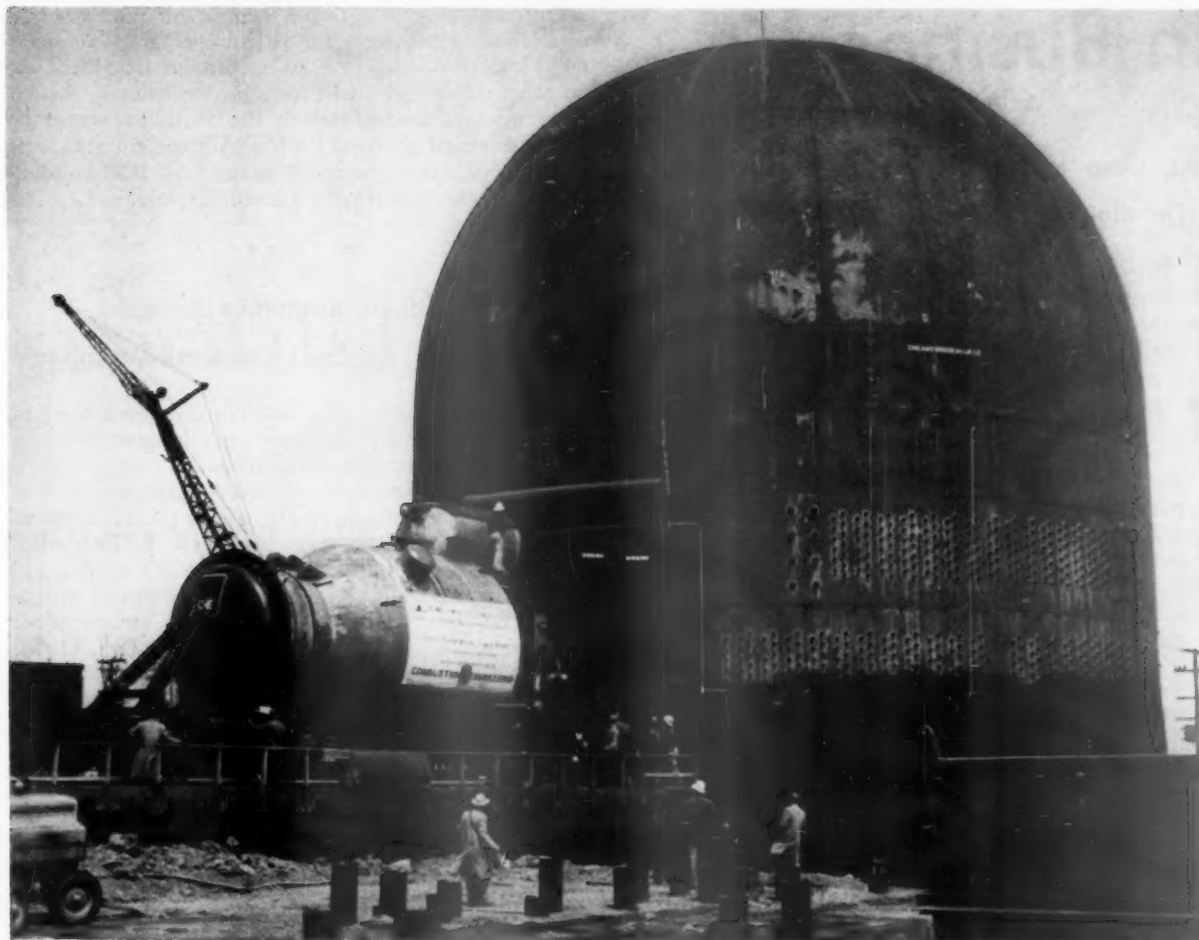
Twice in the last two years, Vertol has held merger talks. In 1957, it was with Northrop Corp. and in 1958 with Bell Aircraft Corp. Now, Vertol seems intent on joining with Boeing. Managements of both companies have agreed on terms for an exchange of two shares of Boeing for three of Vertol. At the current market, this puts a price tag of almost \$16-million on Vertol, which has been slow in finding a market for its gas turbine helicopter, a product that Boeing has been seeking.

Studebaker-Packard Corp. confirmed that it's dickering to take over the farm equipment business of **Oliver Corp.**, in which the Mailman brothers, Abraham and Joseph, recently acquired a 12% stock interest. These shares give them working control, and it has been freely predicted that Oliver would be sold, following the Mailman pattern of operation. They bought control of Diamond T Motor Car Corp. in 1957, then sold it off to White Motor Co.

Studebaker is interested only in Oliver's farm equipment line, whose profits can be offset by its sizable tax-loss carry-forward.

Chain Belt Co., Milwaukee, said that it plans to acquire **Carrier Conveyor Corp.**, Louisville, through an exchange of Chain Belt shares for all of Carrier's outstanding stock. The merger, which will add about \$3-million to Chain Belt's \$66-million sales, will supplement existing material handling equipment lines, as well as providing an opportunity for Chain Belt to expand into chemical processing. But "the real payoff," said Chain Belt pres. O. W. Carpenter, "is in the technical personnel and knowhow that we're picking up."

Directors of the **Chicago, Milwaukee, St. Paul & Pacific RR** and the **Chicago, Rock Island & Pacific RR** said that they have set up committees to study the feasibility of a merger between the lines. Consummation of this deal, however, is still well in the future. "Sure they've got committees," said one rail man, "but they're not burning up the lines talking to each other."



Atoms for Peace. This dome houses the 91-ton reactor vessel made of nickel-containing stainless steel for the new Enrico Fermi Atomic Power Plant on the shore of Lake Erie near Monroe, Michigan. Detail design and construction of the reactor vessel was done by Combustion Engineering, Inc. Plant will be built and operated by Power Reactor Development Company from designs supplied by Atomic Power Development Associates, Inc.

struction of the reactor vessel was done by Combustion Engineering, Inc. Plant will be built and operated by Power Reactor Development Company from designs supplied by Atomic Power Development Associates, Inc.

Atomic reactor "breeds" its own fuel

*Stainless steel vessel must withstand
high temperatures and corrosives*

The world's largest full-scale nuclear reactor of the "fast-breeder" type is now being built. It may well answer the question:

When will atomic power be competitive with conventional methods of producing electric power?

As the term "fast-breeder" indicates, the atom-splitting process is maintained by so-called fast or high-energy particles. It produces more nuclear fuel than it consumes. The fast-breeder actually turns out a kilogram and a fifth of new fuel for

each kilogram it burns up!


The "breeding" takes place in a 36-foot high pressure vessel. Here, the high-energy particles (neutrons) travel at speeds of thousands of miles per second to keep the atom-splitting chain reaction going.

Accent on safety. A major objective was to make this reactor vessel safe. That called for a lot of highly specialized work.

It also called for a rugged metal: one capable of withstanding the tremendous heat given off in nuclear fission, and of bearing up under the temperatures and corrosives en-

countered. The final choice? Strong, corrosion-resisting Type 304 stainless steel. It's a stainless steel that contains Nickel — one of the big reasons for these superior properties

How to "fast-breed" ideas. Problems involving reactor materials may never be a concern of yours. But you can run into *metal selection problems* involving corrosion, pressures, high temperatures and other destructive conditions almost any time. When you do, remember there is a good chance that a steel containing Nickel will provide the properties you want. Let us help you find out.

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NICKEL MAKES ALLOYS PERFORM BETTER LONGER

In Business

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J. I. Case to Market Prefab Buildings It Developed for Its Own Dealers

J. I. Case Co., which started making prefabricated buildings for the dealers who sell its farm and construction machinery, has decided to go into the business commercially. The Racine (Wis.) company will market the prefabs through a new subsidiary, Case Building Corp.; the operation will be headed by John H. Brinker, who has just joined J. I. Case as executive vice-president (BW—Nov. 14 '59, p175).

Case will buy 95% of the prefab materials from outside suppliers, but will manufacture special equipment for joining the sections. The flat-roofed, one-story units will be suitable for retail stores, auto agencies, and supermarkets, or for manufacturing. The skeletons will be steel girders, with aluminum or steel curtain walls, which may be combined with brick.

• • •

Early Freeze Clogs Shipping Rush From Superior Iron Mines to Steel Mills

Unseasonable cold and heavy winds have been playing hob with efforts to ship iron ore downlake from the Superior area to newly opened steel mills. Unless a warm spell comes along before the final freeze-up halts all shipping, the planned shipping rush will be thrown out of schedule and serious shortages at the mills may develop later.

Temperatures at the mines have run as low as -12F, and ore has been freezing solid in the cars on the way to the docks. There just isn't enough thawing equipment available to keep feeding the huge ore carriers piling up off the piers.

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N. Y. Central Takes to the Air With Convertible Loan to Flying Tiger

The New York Central RR announced a plan to lend \$5-million to the Flying Tiger Line, Inc., big freight and contract airline, in return for 54% notes convertible into common stock over the next 15 years. Flying Tiger will apply the proceeds to its \$55-million purchase of 10 turbo-prop air freighters from Canadair, Ltd.

The railroad says this is the first step in acquiring a stake in "the tremendous potential" of the air cargo business. By converting all its notes to Flying Tiger common, the Central could obtain about 15% of the then outstanding shares. The largest single holding today is 10.7%. Federal law prohibits a railroad from controlling an airline, but Central officials make no secret of their hope that the law will be changed.

Only two months ago, the Central got ICC approval of a federal guarantee for a \$40-million capital improvement loan (BW—Sep. 26 '59, p57), pleading that there was no other way to get credit from private lenders. Now it turns up as a lender—though the \$5-million won't be paid to Flying Tiger until 1961, when the Central expects its cash position to be much better. An ICC commissioner says the road may be asked to explain.

• • •

American Airlines Reshuffles Brass; G. M. Sadler Becomes General Manager

American Airlines broke out a major reorganization plan this week, aimed at getting "top management out of the day to day operation of the airline."

G. Marion Sadler, vice-president for customer service, became general manager of the company. Three other company vice-presidents were named: R. L. Fitzpatrick for sales and services, F. J. Mullins for field activities, and Melvin A. Brinner for schedules and equipment utilization. A bit earlier, Charles A. Rheinstrom, vice-president for sales, had resigned, and Executive Vice-Pres. O. M. Mosier was shifted from operations to industry planning.

The eight top department heads will report to Sadler.

• • •

Ford Kills Off The Edsel As Compacts Cut into Sales

Ford Motor Co.'s ill-fated Edsel this week became the first victim of the popularity of the new U.S.-made compact cars. Ford announced it is discontinuing the Edsel and winding up production as soon as possible because sales "have been particularly disappointing and considerably below sales of the 1958 and 1959 models during the introduction period."

The Edsel, named for the father of the company president, Henry Ford II, and his two brothers, was launched as a 1958 model in September of 1957. Through Tuesday of this week, 110,792 Edsels had been built. Ford said that materials, facilities, and manpower used to build Edsels would be diverted to its other car lines all of which, the company said, have got off to a fine sales start and need in particular the steel that has been going to Edsel.

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The Science of Buying Space . . .

The Philadelphia Gas Works Div. of United Gas Improvement Co. is asking the district attorney to help it get back some of the \$4,900 it has spent for advertising in a newspaper that does not exist.

PGW claims that it placed monthly ads over a period of 10 years in the "Jewish Voice"—and finally discovered that there is no such newspaper in Philadelphia. It got suspicious when it examined tear sheets it was receiving from the nonexistent newspaper and discovered they were not torn from any publication.

The simple truth about Data Processing

*To get the on-time information they require,
many executives visualize the need for a battery
of expensive equipment. Yet there is a low-cost system
that fits your company as it stands and as it grows.*

To a great many businessmen today, data processing is somewhat suspect. On the one hand, there's general agreement on the *need* for office automation—but, on the other, there's the fear that the data processing equipment required to bring it about will alter their procedures, their people, their profits.

Then, too, there's the *expense* of that equipment. And the often considerable gamble that the large investment called for won't ultimately pay off in results.

Much of this feeling about data processing, of course, is justified. Most available systems *are* large and unwieldy. More than that, they're complicated. Special personnel must be found to run them. Your own people must be thoroughly trained. And, as for your methods of doing business—even *they* must often be altered to the machines.

Among all of today's data processing systems, there is only one which does not impose these burdens.

That system is Automatic Keysort. Easy to use, remarkably low in cost, Automatic Keysort is the *servant* of your business and your people—never their master.

Reason? Only Automatic Keysort utilizes marginally-notched *original records* for quick, easy sorting and classification. Only Automatic Keysort gives you automatic coding and tabulation with *one* low-cost machine! Only Automatic Keysort is designed to adapt to *your* way of doing business.

Result: with Automatic Keysort you get the management reports you want *when you want them*. Without specialized personnel. Without disrupting your procedures. And at a cost that will truly surprise you.

Your nearby Royal McBee Data Processing Representative will be happy to tell you more about Automatic Keysort as it relates to *your* business—whatever it may be. Call him, or write Royal McBee Corporation, Data Processing Division, Port Chester, New York for brochure S-500.

ROYAL MCBEE • *data processing division*

NEW CONCEPTS IN PRACTICAL OFFICE AUTOMATION



United Air Lines pilots review flight plan calculated by Bendix G-15 Computer at UAL's Operating Base, Denver, Colorado.

UNITED USES "ELECTRONIC PLANNING" TO ADD SPEED AND COMFORT TO JET TRAVEL

To enhance its fine new DC-8 Jetliner Service, United Air Lines has taken two modern jet age steps so you will receive the best possible flight under the smoothest, safest conditions.

One step involves the use of a Bendix* G-15 Computer which solves difficult flight planning problems in seconds; the other makes use of Bendix* Doppler Radar, an airborne system for pinpoint navigation that is completely independent of ground facilities.

Your flight always starts and ends with a Flight Plan. It specifies the desired route, flying time, alternate airports and other important factors. Copies are filed with the Federal Aviation Agency to insure that a section of the skyways will be reserved for your flight.

Its preparation often required more than an hour of the Captain's time, as he studied a mass of

weather data; calculated load, fuel supplies, ceiling limitations, wind speed, etc. His aim was to seek a route with the smoothest conditions and to take advantage of favorable winds. A Bendix Computer now performs this task. It pre-calculates flight plans for the entire system, which are as free from error as modern technology can make them.

Once in the air Bendix Doppler Radar lets the pilot know whether he is being slowed by head winds or speeded by "jet stream" tail winds. It gives him instant, constant navigation data that previously required continual calculation. At a glance he reads his ground speed, drift



Bendix Doppler Radar bounces beams off the earth's surface, gives pilot pinpoint navigation data, permits him to take advantage of most favorable winds.

angle, actual course and distance-to-go and, therefore, his exact position. Thus, he can quickly adjust to take advantage of the most favorable winds.

United's first use of Bendix Doppler Radar will be over its route to Hawaii, which requires about five short hours and places our fiftieth state within commuting distance of the mainland.



A thousand diversified products

*REG. U. S. PAT. OFF.

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
NOV. 21, 1959



The Administration's major decisions for 1960 are well advanced.

(Big exception—a decision on how to deal with a new steel crisis if the steelworkers union should strike again after Jan. 26 when the Taft-Hartley injunction expires.)

Stabilization of the dollar has been settled on as the dominant theme for the final year of Pres. Eisenhower's White House tenure. You will see this unmistakably in the three big documents that the Administration will send to Congress early in 1960—the budget, the State of the Union Message, and the annual economic report.

Eisenhower's work is cut out for him, at home and abroad. It may seem somewhat curious, but Administration insiders feel now that the President's strategy for firming up the dollar has more political sympathy abroad than at home.

At home, the fight is against inflationary pressures.

In the end, Eisenhower probably can hold the line on spending, prevent the Democratic Congress from embarking on any new or expanded programs. Election-year pressures are already building up for such things. Among them: federal aid for school construction, vast new space efforts on an accelerated schedule, and aid for areas suffering from chronic unemployment. But, as in 1959, the Administration counts on the Presidential veto in 1960 as a winning weapon.

Trouble does lie ahead on interest rates. The key element is the President's demand that Congress remove the statutory 4¼% interest rate ceiling on long-term government bonds. Chances for Congressional acquiescence seem to be on the dim side at the moment.

Tight money is beginning to produce some squeezes. The home-building industry, rounding out a near-record year, darkly foresees a 15% decline in its 1960 activity if the tight money policy persists.

Democrats in Congress intend to capitalize on such complaints in their fight to head off Eisenhower's bond interest rate proposal. They take the line that a rate rise would merely drive up the cost of all money and, in effect, make the supply even tighter than at present.

Defense and foreign policies, closely intertwined and accounting for well over half of the national expenditure, have just undergone a reshuffle of considerable import.

Reduction of the deficit of payments is the objective here. That is, shrinking of the unfavorable balance between our overseas spending and our overseas income—estimated at about \$4-billion for the current year.

Shifting more of the world defense burden to allied nations and a requirement that more of American aid funds be spent in this country are the primary elements in this reshuffle, which is calculated to ease some of the external pressures on the dollar.

Eisenhower's trip to Asia, Africa, and Europe next month is much more than the goodwill mission some of his critics see.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
NOV. 21, 1959

One of the President's intents will be to explain away any apprehensions among the Allies that (1) the U. S. is getting ready to pull out of the far-flung military and economic alliances thrown up against the Communist threat, or (2) the Administration is turning toward a protectionist trade policy.

Thus far, allied nations have exhibited sympathy—or, at least, understanding—for Eisenhower's overriding concern about shoring up the dollar. One Administration source puts it this way: "It's going down overseas all right. We only wish the domestic side of the President's program would get as sympathetic treatment from the Democrats in Congress."

—•—

Eisenhower's vacation at Augusta may be his last breather for a while. The weather was mainly benevolent, and the Chief Executive up to mid-week got in a round of golf over the verdant Augusta National course on seven consecutive days. He appeared relaxed and in good humor.

There was one exception, a small flare-up of the Eisenhower temper. This occurred when TV cameramen, recording some comment on the defense budget, set up their lights and equipment in the golf club's trophy room. Eisenhower himself forced a change of backdrop for that event.

The months ahead will be extremely busy for the President. Next week, back in the White House, he will put the final touches on the budget. He is determined to send the document off to the printers before he leaves Dec. 3 for his 11-nation swing through Asia, Africa, and Europe.

After his return, this is part of what he faces: Playing host to five or six heads of foreign states who will come to Washington during the first six months of 1960; a new session of Congress, convening Jan. 6; a trip to Russia; the East-West summit conference; and, to cap it off, an active role in the 1960 Presidential campaign after July.

—•—

The GOP's Percy Report will be published in book form. Doubleday & Co. will bring out an 85¢ paperback volume, in January or February, under the title Decisions for a Better America. The report has been available since early this month, but only as a set of four separate pamphlets.

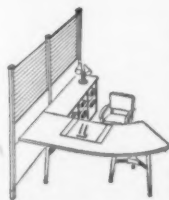
A high-level policy decision is involved. The Republican National Party organization has decided to use the Percy Report as a basic campaign document in 1960 and is working to have it adopted at local levels as the primary reference work on party policy. This fact is calculated to please Vice-Pres. Nixon much more than his rival for the Presidency, Gov. Nelson Rockefeller. The report pledges the party generally to continuation of Eisenhower policies, with which Nixon already has intimate identification.

—•—

Note the impending rise in social security taxation.

The rate goes up as of January 1. The new rate is 6% of the first \$4,800 of annual pay, with employer and employee contributing 3% apiece.

A free social security tax guide for employers is ready. It contains a calendar of employer responsibilities, detailed schedules for computing the tax at new rates, etc. For a free copy, write your District Director of Internal Revenue. Ask for Treasury Dept.-Internal Revenue Service Publication No. 15 (Revised, Jan. 1960).



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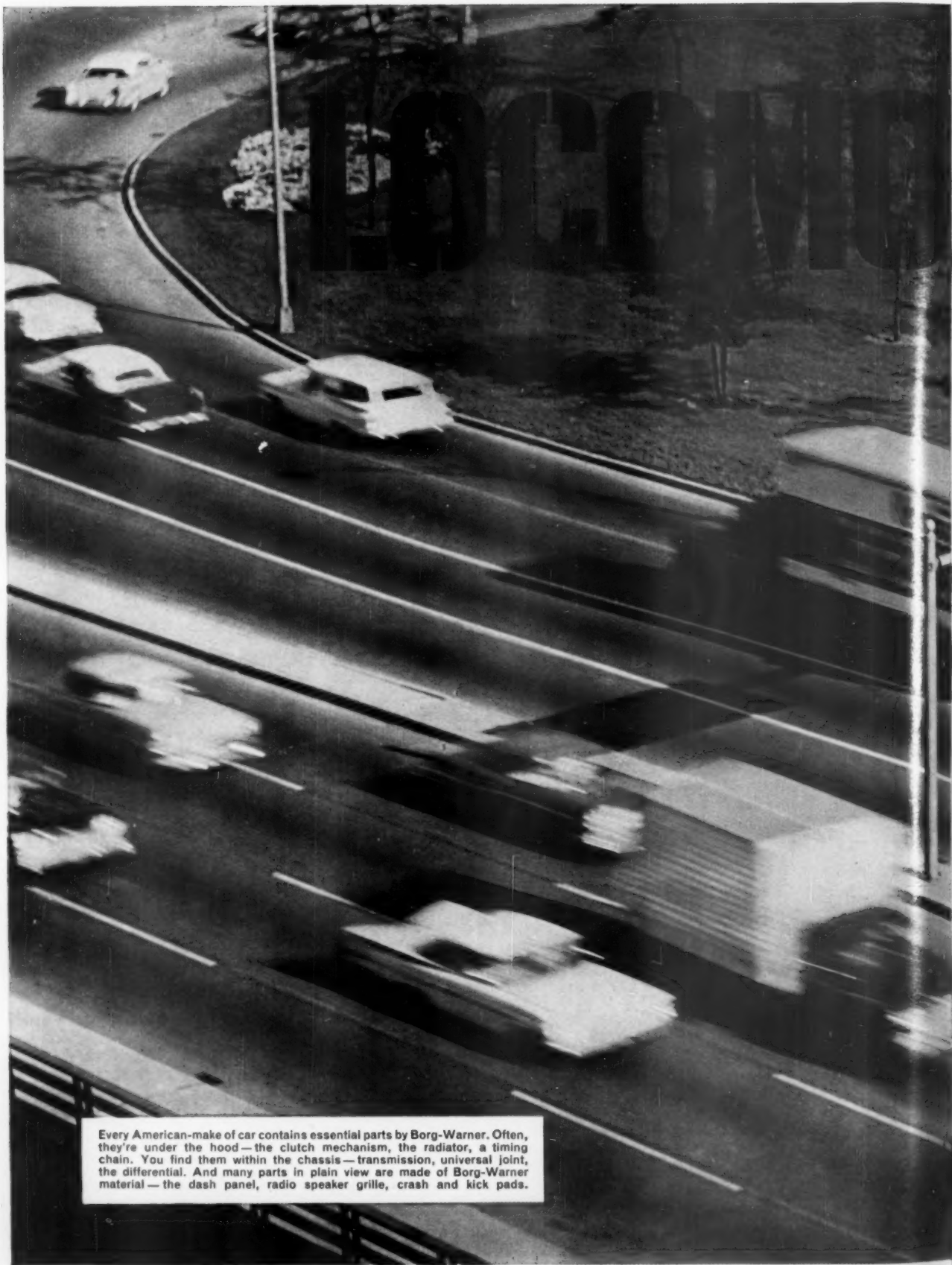
Only Arnot by Royal gives you such flexibility, such maneuverability.

See for yourself how Royal engineering skill lives to make your business life easier. Convenient, practical, beautiful! That's the Arnot "custom" installation — everything modeled to make space work for a living comfortably, efficiently, profitably. Write for the brochure that tells the story — Arnot modular furniture and space-dividing Arnot Partition-ettes by Royal.

Now is the time to write for it — plus the name of your nearest Arnot dealer. Arnot Division of ROYAL METAL MANUFACTURING COMPANY, One Park Avenue, New York 16, N. Y.

SHOWROOMS: New York, Chicago, Los Angeles, San Francisco, Seattle, Galt, Ontario • LICENSEES: France, England, Australia, Venezuela
 FACTORIES: Plainfield, Conn., Michigan City, Ind., Los Angeles, Calif., Warren, Pa., Jamestown, N. Y., Galt and Smiths Falls, Ontario

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Every American-made car contains essential parts by Borg-Warner. Often, they're under the hood—the clutch mechanism, the radiator, a timing chain. You find them within the chassis—transmission, universal joint, the differential. And many parts in plain view are made of Borg-Warner material—the dash panel, radio speaker grille, crash and kick pads.

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BY BORG-WARNER

A revealing look at the many ways
in which a vigorous corporation helps
you get from place to place

Ours is a nation of over 80 million vehicles—everything from automobiles to ambulances, from taxis to tractors, from cross-town busses to cross-country trucks. And Borg-Warner Corporation makes parts that help keep these wheels rolling.

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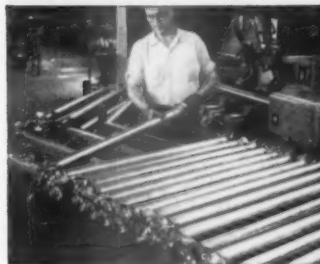
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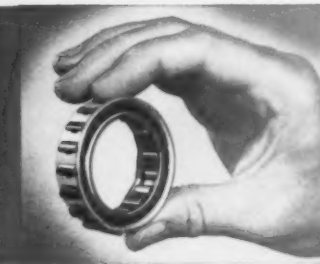
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MANAGEMENT men sign up for AMA symposium on legal aspects of Landrum-Griffin law. Legal uncertainties are problem for those . . .

Coping With New Labor Law

Although management and labor were at odds over the passage of the Landrum-Griffin labor reform act, they now share a common reaction: Both are busily engaged calling upon their lawyers for clarification and interpretation of this complex piece of legislation.

The two sides are finding out how it works in practice. Both are testing it for legal loopholes. And, both are seeking ways to live with the new law.

The law—officially called the Labor-Management Reporting & Disclosure Act of 1959—breaks into several loose groupings: (1) a “bill of rights” for union members; (2) reporting requirements for labor unions and officials, employers, and labor relations consultants; (3) regulations governing union internal affairs designed to head off racketeering and undemocratic practices. The law also contains a section amending the Taft-Hartley Act. And Landrum-Griffin gives the Secretary of Labor certain investigatory and enforcement powers.

Just what problems does this new law pose for management and unions now that its provisions are taking effect? *BUSINESS WEEK* reporters this week talked to top management and union officials to find the answer. The following two-part story details how both groups feel the law will affect them and what they are doing to comply with it.

PART 1: MANAGEMENT

The third—and most controversial—part of the Landrum-Griffin labor reform act went into effect on Nov. 13, a Friday. How you read this omen may depend on your disposition. But a number of lawyers are in the mood to see it as confirmation of their own auguries concerning the new law.

This third part of the act contains amendments to the Taft-Hartley law. Application of the amendments was delayed beyond the effective date

of the other sections of the act, notes one attorney, “to avoid confusion and hardship” and to afford management and labor “an opportunity to prepare.”

“We’ve prepared all right,” says the lawyer, “but it hasn’t dispelled confusion as Congress so hopefully wished last summer.” And, the confusion isn’t solely limited to that one section of the new labor reform law.

• **The Impact**—*BUSINESS WEEK* reporters, interviewing top company officials,

ran across these opinions on the effect of the new law on management:

- Landrum-Griffin has very little effect on the internal operations of most companies. They need make no changes in operations comparable to the ones unions must adopt to comply with the law.

- For well-established collective bargaining relationships, the impact of the new law may be minimal, except for one possibility. Industrial relations men expect union internal affairs “to rile up” as dissident groups take advantage of the “bill of rights” protection offered in L-G. This, they say, will spill over into plant operations.

- Most of the confusion created by the law turns on legalities. How the courts interpret the law, for example, will determine how much reporting management will be required to do under the new act.

- **“Gray Area”**—By plugging certain Taft-Hartley Act loopholes—eliminating a “no-man’s land” in National Labor Relations Board jurisdiction, tightening up the secondary boycott ban, and prohibiting hot cargo agreements—life for the small employer is eased. Nonetheless, many management attorneys are worried about a “gray area” of unanswered legal questions on organizational picketing and other union practices. Much about the law, explains one attorney, “is in the hypotheti-

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cal and highly speculative stage.

"There are a lot of ambiguities in the law," says Lester Block, labor attorney for R. H. Macy & Co. Christopher Hocy of Davies, Hardy & Schenck adds: "We're going to see quite a shakedown period before we know where we are going."

The ambiguities will be ironed out in legal tests, lawyers acknowledge. But this takes time. Stuart Rothman, general counsel of the National Labor Relations Board, points out that "after 12 years, the meaning of the [Taft-Hartley law] in critical areas is still being litigated." And, Rothman warns: "Beginning Nov. 13, every case arising under the new amendments will present a novel question of law, including even the question whether Nov. 13 is itself the correct effective date." Each case, he says, "will be a legal foundation stone."

Before these building stones are placed, however, management and union attorneys must grapple with a host of legal problems, some expected, some loaded with surprising complexities, and still others unforeseen. The new law, says the American Retail Federation in its analysis of the labor reform act, "gives important new rights and protection to retailers who are alert and diligent and who are properly advised." But, cautions ARF, "it also has some serious booby traps for the unwary."

• **The Requirements**—What the new law requires of businessmen seems straightforward enough on the surface. Employers must report all payments, loans and expense reimbursements to unions or union personnel; all payments to employees to influence co-workers in regard to organizing or bargaining; all payments for spy information on a labor dispute; and all arrangements with labor relations consultants to influence the exercise of employee bargaining rights. These reports are due 90 days after the end of the employer's fiscal year. The reporting requirements "will not be onerous" for most companies, one prominent lawyer believes.

But the reporting requirements may pose some difficulties for employers. An attorney raises this question: "What does a company do if it has an emergency loan setup available to all employees, and a shop steward takes advantage of it to borrow some money? Can the union official borrow the money in the first place? If he does, must the transaction be reported?"

If the emergency loan arrangement is an "employee benefit," it's legal under one section of the act. In another section apparently it's illegal. But the legal exemption isn't carried over to the section of the law dealing with employer reports. So, while some lawyers



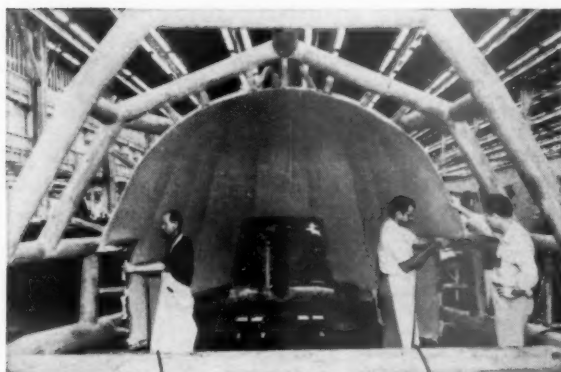
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believe that employers do not have to report such loans, others say, yes, they must.

• **Employer's Dilemma**—Lawyer Theodore R. Iserman recently posed this problem before an American Management Assn. symposium: When an employer makes an expenditure in sending out a letter to his employees in a representation election campaign, he may honestly think that what he says is privileged under the free speech clause of Taft-Hartley. But the NLRB may hold later—long after the time within which an employer must file a report—that the letter constituted an unfair labor practice. The employer in such a situation, Iserman says, “must choose between confession to something that is not illegal or run the risk of being charged later with a crime for not reporting the expenditure.” Fortunately, adds Iserman, the prosecution must prove beyond a reasonable doubt that an unfair labor practice indeed was committed.

This kind of confusion about what the law may or may not require is one reason why attorney Christopher Hoey believes that there “will be a lot of employers filing a lot of reports they don't have to file.”

• **Is It Constitutional?**—What's more, a number of management's labor lawyers believe that those sections of the law that require union officials and employers to report what, in effect, amount to bribes are unconstitutional. Such transactions are crimes under Taft-Hartley. “Compelling employers and union officials to report criminal transactions,” notes Iserman, “is of highly doubtful validity.” For one thing, he comments, it contravenes the Fifth Amendment, which provides that no one shall be a witness against himself in any criminal case.

For small employers, particularly those faced with union organizing efforts, the reform law offers new protection. But it also may cause some of them to reach for their aspirin. ARI points out that “while the new provisions banning organizational picketing will be very helpful, they may also be misused by some opportunistic unions to obtain quickie elections.”

• **Picketing Problem**—The reform act bans organizational picketing where a rival union has been lawfully recognized by an employer and where a valid election has been held by the NLRB within the preceding 12 months. Otherwise, the union is allowed to picket for a 30-day period. But if it does not file a petition for an election within that time, the employer can seek injunctive relief through the NLRB.

However, if a petition is filed—and many employers see this provision as a “sleeper”—the NLRB must “forthwith” direct an election without reference to

the election procedures set up under Section 9(c)(1) of Taft-Hartley.

This is one “gray area of unanswered questions,” say the lawyers. Can picketing continue until the election is held? What procedure will NLRB use to determine the appropriate bargaining unit? Can the union, by using the 30-day clause, avoid the Taft-Hartley requirement that it must show a 30% interest among the employees before an election is held?

This wasn't the intent of Congress, one attorney contends. “But,” as Christopher Hoey notes, “there's a big difference between Congressional intent and the language of the statute.” Current thinking is that the NLRB won't accept petitions evading the 30% rule. But this may open another Pandora's box by giving the unions still other grounds to go to the courts.

• **Delegation of Power**—The delegation to regional directors of NLRB's powers to handle representation elections is another provision of L-G that worries legal minds. The board may now give the regional directors the right to determine the bargaining unit, to investigate, hold hearings, and determine whether a question of representation exists, and to conduct elections. Appeal of such decisions to the full board is difficult, awkward, and doesn't act as a stay on the regional director's decisions.

Such a system, say lawyers, raises the

serious problem of “uniformity of decisions.” “Do you want 20 guys to decide these things?” asks one attorney.

Initially, the shift of this authority to the regional directors may slow things down. But most labor relations people believe eventually it will work to speed up the representation process, a speedup that may not always be to management's liking. “Under the new system,” warns one company lawyer, “you'll get your election notice and the election will be on you before you can do anything about it. You won't have time to get across your point of view.” Say the legal experts: “Management will have to keep a sharp eye on the shop before organizing starts.”

• **More Feuding**—For managements with an already established collective bargaining relationship, the L-G law poses an entirely different kind of problem. H. Webster Stull, director of industrial relations for Olin Mathieson, doesn't think L-G will have much of an impact on stabilized industrial relations. But, he warns, “there's bound to be an increase in grievances as well as a stepup in arbitration.” He believes that this will stem from an increase in internal union feuding as dissident groups, until now subdued, test their rights under the new “bill of rights” section of the law.

“Any internal political fight in the union,” says Stull, “is bound to have an effect on the management of a plant.”

PART 2: LABOR

Unions Revise Their Operations

On one recent Sunday, the University of Detroit Field House, which has echoed to the shouts of partisans of basketball and track teams, the lilting strains of dance bands and the solemn addresses of faculty to students, was filled with sights and sounds quite unlike any it has housed before: Hundreds of shouting, stamping and whistling truckers engaged in the re-nomination of James R. Hoffa as president of Local 299 of the International Brotherhood of Teamsters.

The presence of stocky Jimmy Hoffa and his burly Teamsters in the university's huge hall was no stranger than many other things that have been occurring in labor's world since the passage of the Landrum-Griffin Labor-Management Reporting & Disclosure Act of 1959.

• **Letter of the Law**—The reform law, Hoffa says his attorney told him, requires that a hall where candidates for office are nominated must be big enough to hold all the members who may want to come to the meeting. Local 299 has about 16,000 members, far too many to squeeze into the local's own headquarters. So to follow the

letter of the law, it decided to use the Field House. But only an estimated 700 to 1,000 turned out to nominate their chief.

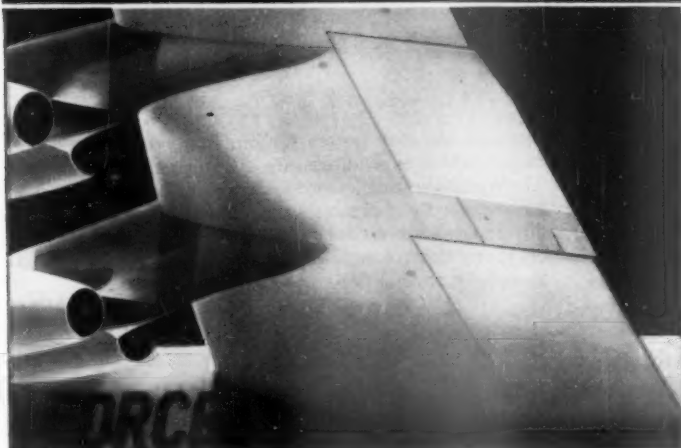
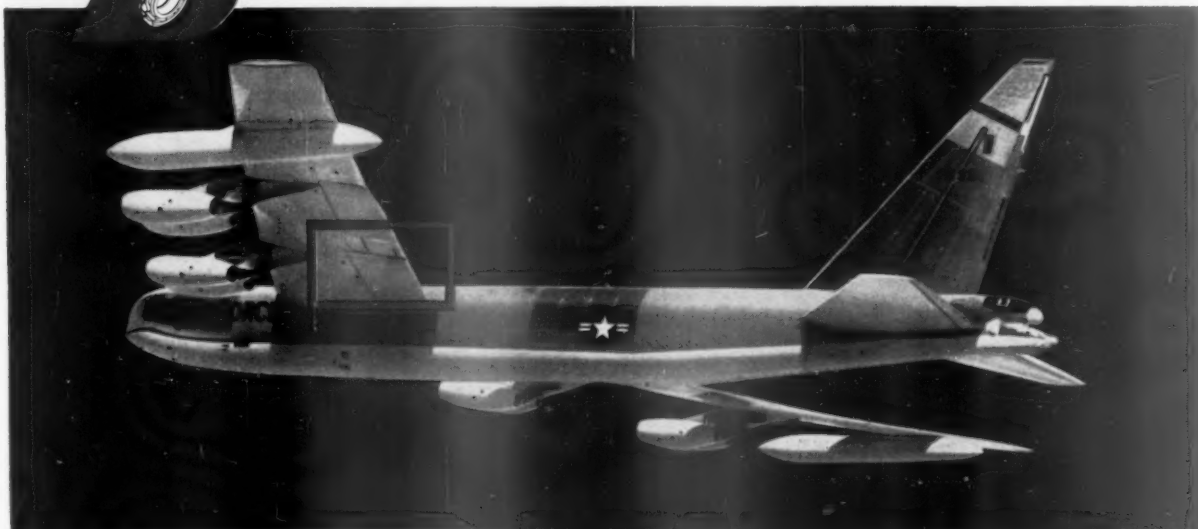
The Landrum-Griffin amendments to the Taft-Hartley Act also have crimped another ancient Teamsters practice—the honoring of the picket lines of unions friendly to the powerful truckers organization. “The new law,” says Chicago's John T. O'Brien, second vice-president of the 1.6-million member union, “is making strike breakers out of our people.” Local Teamsters officials are ordering members to cross the picket lines of all unions. “Our policy is to respect the law 100%,” says O'Brien. “We have to comply with the law. There are a lot of things we don't know about it.”

The truckers, however, are observing the picket lines of what they term “primary” strikes.

• **Package of Problems**—The Teamsters union—against whom the Landrum-Griffin Act nominally was aimed—is being no more meticulous in observing the spirit as well as the letter of the law than are other unions whose procedures and protection of the rights



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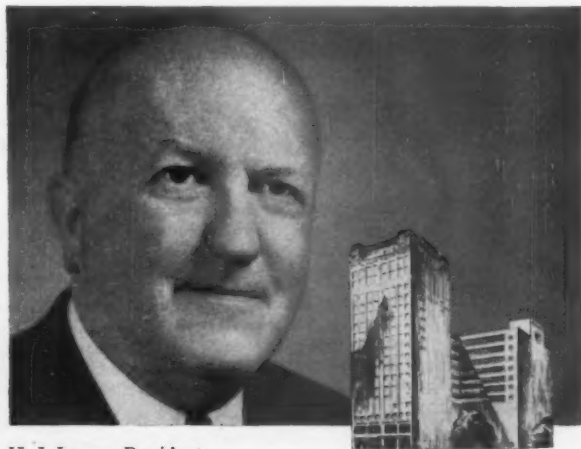
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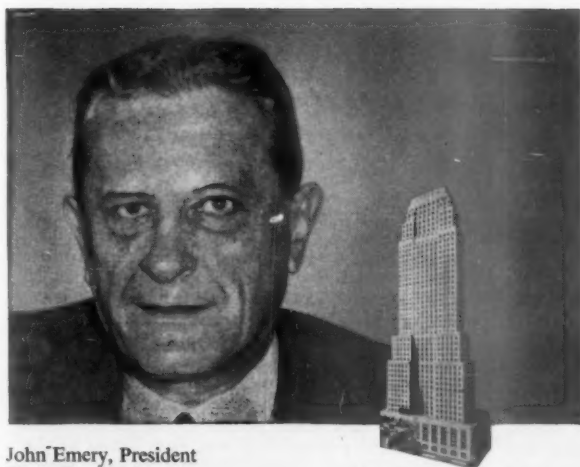
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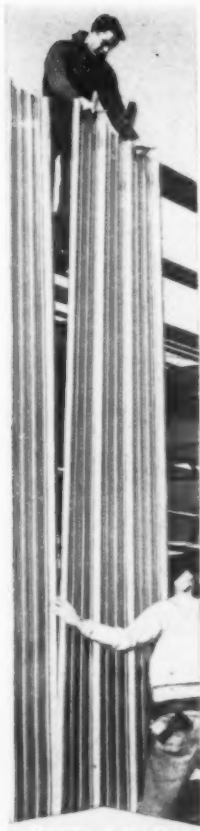
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of their members have never been in question. But all unions are finding that, regardless of how "clean" they might be, the new law is a package of problems. It has meant a thorough re-writing of most union constitutions, sweeping changes in practices and—in at least one case—has given a union executive board authority the board would have been reluctant to ask from its union's members.

The reform law is keeping the unions busy. According to the Labor Dept., 492 trusteeship reports have been filed. And, the shortest provision in the act—the requirement that unions shall inform their members of what the law contains—has filled columns of print in the labor press. More than one union have debated whether to reproduce the law in full or to "explain" what the law means. Most have chosen a straightforward reprint—in some cases in hard-to-read six point type—in their union newspaper, though several, including the Hotel & Restaurant Workers, have illustrated the text with pictures and cartoons.

• **Regional Briefings**—Other unions, the International Ladies Garment Workers Union for one, are conducting intensive, region-by-region briefings on the law for staff officers and union attorneys. This is in addition to making the text of the law available to union members through union publications.

The rank-and-file, however, has scored more concrete victories than just being informed under the "bill of rights" provisions of L-G. The Operating Engineers in Toledo this week invoked the law to get local union officials to open up a new \$115,000 hall for general membership meetings. And cement masons in Detroit have requested a court-appointed monitor to take charge of local affairs, charging that they have been deprived of "equality in the union."

One of the first unions to tackle the problem of constitutional revision, barely two weeks after passage of the law, was the National Assn. of Broadcast Employees & Technicians. This 8,000-member outfit met in Chicago at the end of September and made 123 changes in its constitution, more than 90 of them to conform with Landrum-Griffin. For 22 years this union's constitution—apparently with no serious objection from its members—had permitted the elected presidents of the international and the locals to appoint the secretary and the treasurer. It was felt that this procedure filled these two important slots with best-qualified people. But that's out now; all officers must be elected by secret ballot.

• **Even the UAW**—Even a union as well-run as the United Automobile Workers—which has an outside "Public Review Board" to watch over the con-

stitutional rights of its members—has been given fits by the Landrum-Griffin Act. At their recent biennial convention (BW-Oct. 24 '59, p137), UAW delegates spent the better part of three days fine-combing their constitution.

Among 50 or so changes in the UAW constitution necessary to conform to the law were such small details as changing the word "seven" to "15" in the section providing that members shall be notified so many days in advance of an election. And there also were such major revisions as these words appended to the article which declares the constitution is UAW's "supreme law" and can be amended only by majority vote of convention delegates:

"However, prior to the next regular Constitutional Convention . . . the International Executive Board shall be empowered by a two-thirds vote to make such interim changes in this Constitution, applicable only until the next regular Constitutional Convention, as may from time to time be necessary to conform the constitution with any applicable laws."

This clause, says a UAW lawyer, is necessary under Section 404 of the L-G law, and is the first time UAW's international executive board has been given this power. As far as UAW is concerned, Title IV of the law (which covers union election procedures) took effect when UAW held its convention. But the fishhook is that some of the exact provisions of Title IV depend on regulations to be adopted by the Secretary of Labor—and UAW would have to live with such regulations before its next convention in the spring of 1961.

• **Extra Expense**—Many of the L-G changes in UAW's constitution were simply formalizing customs that have been followed without complaint for years. But two things UAW has to do under the law will result in great changes in practice, and one of them will cause considerable extra expense.

The law required that election notices must be mailed at least 15 days prior to an election to "each member at his last known home address." UAW says it will comply, but that this is far less efficient than the union's practice of posting the election notice in shops and union halls. It seems that even the well-ordered UAW members do not always notify their union when they move. So UAW, anxious that all members get a chance to vote, will use both mail and posting before elections.

• **Bonding Requirements**—The L-G provision that really bothers UAW as well as many other unions (including the Teamsters, of course) is that requiring the bonding of officers and employees who handle funds. No responsible union official objects to bonding,



HOFFA (right) and Teamsters' Vice-Pres. Owen Bert Brennan are elected chiefs of Detroit locals. Few attended meeting.

but the law requires the bond to be not less than 10% of the funds "handled" during a year. UAW formerly required a bond covering 75% of funds "available" to officers. But there's a great difference between those two words. A UAW local financial secretary, for example, collects members' dues and transmits \$3 of it to the international. He has "handled" that money, but it is not "available" to him. Now he will have to be bonded for it.

Another feature of the law's bonding requirements concerns UAW. The bonds must be placed with a surety company in which no "labor organization" or any officer, agent, shop steward, or other representative of a labor organization has any direct or indirect interest." UAW for five years has had a self-insured bonding program under which it has been able progressively to reduce the rate to \$2 per \$1,000—compared to as high as \$7.50 per 1,000 for outside bonding.

UAW Secy.-Treas. Emil Mazey poses this problem for the Treasury Dept. (which grants authority to surety companies to bond unions). Will you guarantee me that any bonding company we pick doesn't have a stockholder who is shop steward for some union?

• **Legal Challenge**—Most unions are going along with the law despite the headaches. So far, the only major challenges to the law come from Harry

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Bridges, leader of the West Coast Longshoremen, and John L. Lewis' United Mine Workers. Bridges has refused to comply with Labor Secy. James P. Mitchell's request for information on Communists or former criminals convicted in the last five years who are holding union office.

Bridges' lawyers say the law is unconstitutional and gives the Secretary of Labor no authority to ask such ques-

tions. The Justice Dept. is studying Bridges' reply.

The UMW filed trusteeship reports "under protest," contending that the law doesn't require reports on the mine union's "provisional" districts. Officers of most UMW districts are appointed by Lewis and the districts are run in such a way that they seem to fall under the reporting requirements of L-G. But Lewis isn't willing to concede that.

Teamsters Monitors Vindicated

The U. S. Supreme Court gave the watchdogs a free hand to clean up the truckers' union—by refusing to consider Pres. Hoffa's appeal challenging their authority.

The U. S. Supreme Court this week freed the hands of the court-appointed board of monitors to press a cleanup drive within the International Brotherhood of Teamsters.

In brief orders without comment, the court refused to consider union appeals seeking to upset the broad reform powers conferred on the monitors by two lower courts. Union Pres. James R. Hoffa had challenged the authority of the monitors to compel him to follow their recommendations.

The Supreme Court's action allows a June, 1959, ruling by the U. S. Court of Appeals in Washington to stand unchanged. That ruling upheld about a dozen reform directives issued by the monitors, though it ordered that any changes in union practices must always be spelled out and approved by a federal judge.

• **Background**—In addition to various housekeeping improvements called for, the monitors had instructed Hoffa to take action against Teamsters Vice-Pres. Owen Bert Brennan and union officers in New York and Philadelphia. The directives also ordered an inquiry into alleged misuse of a local's funds in Chattanooga, Tenn.

District Court Judge F. Dickinson Letts first appointed the monitors in 1958 as the price of settling a dissident members' suit against the Teamsters leadership. Letts also gave the first O.K. to the monitors to exercise cleanup powers; he is currently considering additional monitor charges against union officials.

• **New Vigor**—Monitor Chmn. Martin F. O'Donoghue, though cautioning against any expectation of spectacular changes, said the Supreme Court's action means the monitors will be able to move with greater speed against Hoffa.

O'Donoghue indicated that the monitors will shortly ask Judge Letts for authority to take depositions on their charges that Hoffa wrongfully deposited

in a Florida bank funds from his home local in Detroit as part of a real estate deal in which he had a personal interest (BW—Sep. 19'59, p63).

The monitors will also press previous requests that Hoffa remove three local presidents—Joseph Glimco, Local 777, Chicago; Harold Gross, Local 320, Miami, and Anthony Provenzana, Local 560, Hoboken, N. J. The monitors say Hoffa should bring these officials to trial before union boards on racketeering charges developed by the McClellan rackets committee.

The union must also adopt model by-laws, accounting standards and controls, and end conflicts of interest.

• **Added Decisions**—In other labor actions, the Supreme Court:

• Agreed to decide whether the federal courts can enjoin peaceful picketing of foreign-flag ships in U. S. ports by the Marine Cooks & Stewards Union, to protest wages, hours, and working conditions on foreign-flag vessels. Lower courts upheld the injunction, saying the Norris-LaGuardia anti-injunction law does not apply to a dispute "foreign in nature."

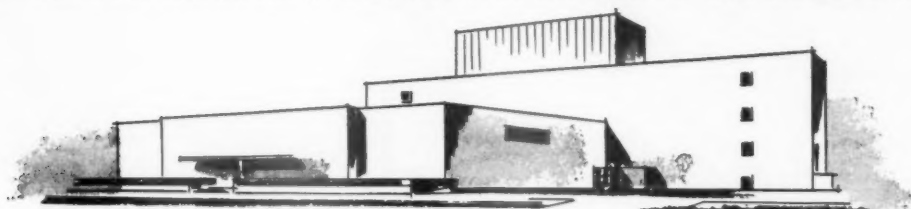
• Agreed to review a ruling by the National Labor Relations Board, ordering the Communications Workers of America and one of its locals not to coerce employees of the Ohio Consolidated Electric Co. or the employees of "any other employer." Lower courts upheld the broad injunction as within NLRB's discretion if deemed necessary to prevent violation strikes.

• Refused to consider an appeal by a North Carolina trucking company from a state court award of \$1,000 damages to a worker wrongfully discharged for union activity. The truck concern argued that the dispute was covered by the Taft-Hartley Act and that the state courts had no authority to use North Carolina's right-to-work act to award damages just because the NLRB had refused to exercise its jurisdiction over the case. **END**

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Nuclear Rocketship

Despite the sky-high transportation costs, Lunar manufacturing should prove economically viable. With unlimited Solar power, controlled atmospheres and advanced automation, a considerable commerce could be realized in delicate instruments, rare minerals, reactor cores and other items that might be more efficiently processed or produced in the Moon's perfect vacuum.

To supply the Moon colonists, and to carry their production back to Earth, special rocketships will be developed.

Nuclear energy is the most promising source of propellant power. The ship shown here utilizes nuclear fission for heat and hydrogen gas as a working fuel. From pressurized tanks, the gas is fed through a heat exchanger, expanded, and expelled for the motive thrust.

When the craft leaves Earth, it carries only enough gas for a one-way trip. For, by extracting hydrogen and oxygen from Lunar rocks, Moon settlers will be able to

refuel the rocketship for the return voyage. This will permit smaller fuel tanks on the craft and larger payloads.

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New U. S. Steel Head "Hopeful"

But Worthington won't say he's "confident" of settlement. Meanwhile, both sides remain in private contact, under the watchful eye of government.

There are "some signs of progress" in steel contract negotiations, the new president of the United States Steel Corp. commented early this week. He is "hopeful" that an agreement can be reached in basic steel before the expiration of the Taft-Hartley strike injunction the last week in January.

But Leslie B. Worthington, who succeeded to the U.S.S. presidency last week (BW-Nov. 14 '59, p156), declined to go further than that in his first discussion of the deadlocked negotiations. He refused to let reporters say that he felt "confident" a new contract can be written during the injunction period.

Nevertheless, there is a growing optimism in the industry—and in Washington—that one will be.

- **More Talks**—There's a general impression that bargaining has been suspended for a couple of weeks, so that the industry and United Steelworkers can devote full time to the problems of restoring steel production.

Technically, that impression might be correct. The Federal Mediation & Conciliation Service is standing aside, probably for another week. The Taft-Hartley board of inquiry, headed by Dr. George Taylor, is biding its time on the sidelines. So there is no apparent action—now—to get the parties together.

Actually, more is going on in the steel dispute than appears on the surface. The government hasn't stepped aside—even briefly. And the parties haven't stopped talking privately.

- **Mitchell Role**—Labor Secy. James P. Mitchell reportedly is very much in the midst of maneuvers to get steel labor and management into an area in which negotiating can be profitable. There is no indication, yet, of how he is trying to accomplish this.

However, an industry spokesman said, a few days ago, that "the pressure is still on—don't think otherwise." How? He wouldn't say. A government source, who keeps in close touch with day-to-day developments in steel, commented afterward, "I wouldn't say 'pressure' is involved; I'd say persuasion and, maybe, firm nudges in the right direction."

When the full story of the 1959 steel negotiations is told, it will probably show Mitchell closely—and adroitly—active in the infighting.

- **Progress?**—Despite the expressions

of optimism, from Worthington and others, there is no indication on the outside that either the steel industry or the United Steelworkers see a way out of the deadlock.

Mitchell is hopeful, but others in the government dispute-settling machinery are less so. This much is certain: Steel bargaining must get around hazardous stumbling blocks before a settlement is possible.

This won't be easy to do. And even with concessions on both sides it could take time. There are more predictions of an agreement in January than in December. You can get about as many predictions that the steel dispute won't be settled at all before the injunction runs out, and possibly without another strike.

- **Longer Focus**—So, increasingly, attention is being focused over a longer range—to the problems of how major strikes may be dealt with more effectively. If there is no steel contract before Congress meets in early January, legislative proposals can be expected. They are already being discussed (page 32).

Neither industry nor labor wants legislation that would put the government more quickly and deeply into col-

lective bargaining relationships. Each fears the consequences. But there is a growing feeling that something must be done to reduce the likelihood of prolonged and costly industrial strife.

A week ago, AFL-CIO Pres. George Meany suggested to the President that he sponsor a labor-management conference to develop "guide lines for just and harmonious . . . relations" between employers and unions of their employees. He said that he feels it is most urgent to do this.

The President noted, in reply, that "Secretary Mitchell has been urging publicly that labor and management meet frequently to talk over common problems." He added, favorably, that the suggestion of a "summit" conference would be considered with "representative management leaders."

Although this could lead to a conference in the form proposed by Meany, the Labor Secretary's proposals have been for more restricted meetings—limited to employers and union representatives in particular industries, with more mutuality of interests—and more able to put into effect jointly sponsored programs for dealing with common problems.

Top-level industry-labor conferences in 1955, and earlier, failed to make any appreciable progress toward more harmonious relations. The parties took institutional positions and talked—or wrangled—over generalities.

Another Showdown in Steel

Fabricators, who will be negotiating new contracts this year, may divorce their bargaining from that of basic steel.

This may be the year of a second showdown in the steel industry—between the steel fabricators and the United Steelworkers.

Many fabricators—companies that produce no steel—aren't directly involved in the present industrywide bargaining in the basic steel industry. However, they have contracts to negotiate this year, when the big producers settle—and, in the way of thinking of the USW, set a "pattern" for all of steel.

The fabricators have said bluntly in other bargaining years that they will not accept what the more prosperous basic industry agrees to as a pattern. Many have held out against doing so. For some, USW has made exceptions. But, generally, the fabricators haven't been able to divorce their bargaining from that of the basic steel industry.

- **Firmer Stand**—This year, according

to reports to federal mediators in steel centers across the country, the fabricators are determined to do what they've threatened in the past—hold out for contracts negotiated on a basis of what is best for each company.

They are particularly interested in, and encouraged by, an agreement quietly negotiated by SKF Industries, Inc., big Philadelphia manufacturer of bearings, and the United Steelworkers. Signed about a month ago, the three-year pact gives the union 36¢ in wage and "fringe" increases through mid-1962. It provides for 7¢ an hour more in wages in each of the three years of the contract, plus 15¢ an hour through increased pension benefits in the second year and other nonwage benefits.

- **Two-Way Gains**—Management made solid gains, too. These interest other fabricators.

The new SKF contract makes a long



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stride toward management's goal of divorcing its labor negotiations from those of basic steel. Previously, SKF—which produces no steel—and its 4,000 union employees had patterned their work contracts after those of the steel industry.

Just as important to management, the union agreed to a number of changes in work rules. Most of the changes involve lay-off and recall practices that the company has not had to resort to, so few of them have gone into effect. But management is certain the changes will pay for much of the cost of the new wage-benefits package.

• **Money Savers**—A shift from previous contracts already is saving the company money. SKF previously followed the basic steel pattern in calculating and paying cost-of-living wage increases. The new contract reduces the base rate and provides for annual reviews of living costs rather than having them on a semi-annual basis.

"These changes alone will save the company \$760,000 the first year of the contract and \$680,000 in each of the last two years," says Thomas F. Morris, vice-president for industrial relations.

Savings from work rule changes are a little tougher to figure, but Morris predicts they will cut the company's employee training costs by one-third.

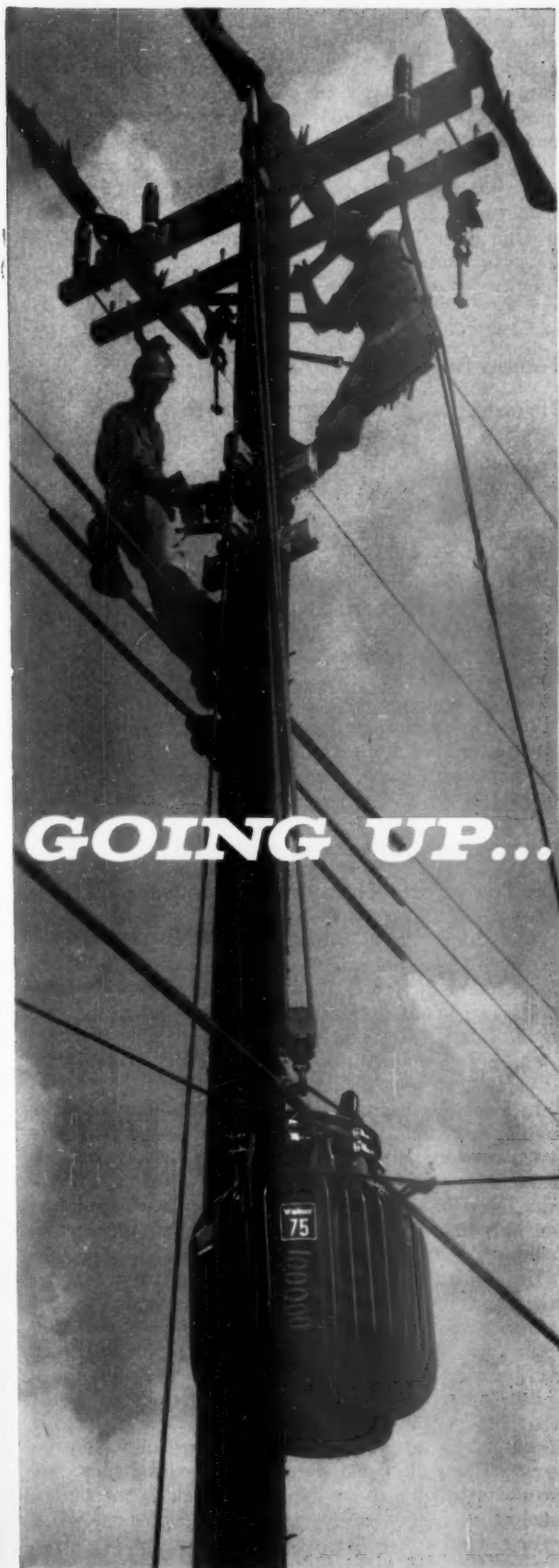
"Previously, when an employee bumped another with less seniority, we would end up moving six people," Morris explains. "Now we will move four."

• **Better Work Schedules**—Because it must live with the business cycles of its major customers—machine tools, appliances, and transportation equipment—SKF has frequent spurts and cutbacks in production. So bumping of employees from one job to another became prevalent. Training costs soared, of course.

The new work rules will get at this problem in several ways. Skilled workers may now be shifted to unskilled jobs in slack times. After layoffs, the skilled can be recalled to unskilled jobs until there is enough work to return them to their regular jobs. Some jobs previously classified as unskilled have been reclassified as skilled.

• **Planning Ahead**—The company began preparing for the contract negotiations a year ago. In the employee magazine and on bulletin boards it carried on an "educational" program. Stories and cartoons pointed out that SKF wages exceed the average wage for the bearing industry and that the bearing business is highly competitive.

Then it invited union representatives to discuss work rules. These meetings—of two union and two management representatives—started last April. When contract negotiations began in August, all but one of the rule changes had been agreed upon by both sides. **END**



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In Labor

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Eight Unions in Air Transportation

Set Up Permanent Coordination

Eight AFL-CIO unions, with interests in airline collective bargaining, this week banded together to form a permanent coordinating organization, the Assn. of Air Transport Unions. A. J. Hayes, president of the International Assn. of Machinists, was unanimously elected chairman of the new group.

The AATU is an outgrowth of an earlier meeting held at the AFL-CIO convention in San Francisco last September (BW-Oct. 3 '59, p128). The cooperating unions are: the IAM, the Transport Workers Union, Air Lines Pilots Assn., Air Line Dispatchers, Flight Engineers, Brotherhood of Railway Clerks, the Air Line Stewards & Stewardesses, and the United Auto Workers.

Behind the "togetherness" move by the unions is a growing concern with problems created by the introduction of jet aircraft, expansion of freight air traffic, and airline safety. The Landrum-Griffin Act and the air carriers' mutual aid pact in the event of strike action are two other factors cited by the air line unionists for their coordination efforts.

• • •

Horseshoers Union—All 281 Men of It—

Maps Drive to Recoup Nine-Man Loss

Organizing may be in the doldrums for most of organized labor but this doesn't faze the 281-member International Union of Journeyman Horseshoers. Five officers and 18 delegates to the union's 52nd biennial convention last week voted unanimously to organize the West.

The union represents horseshoers who keep racers shod at racetracks in the North and South. The fee for complete service is \$16 a horse. The men carry their own tools and supplies with them and follow their work.

Since the last convention, the union has lost nine members. (In 1911, it had more than 11,000 working at the trade.) But it believes it can make up the loss in an organizing drive covering the West—from St. Louis to the Rockies.

• • •

New Tactic By President's Committee

Wins Skilled Jobs for Southern Negroes

"Pilot projects" set up by the President's Committee on Government Contracts have resulted in a "significant breakthrough" in obtaining skilled jobs for Negroes in the South. The committee headed by Vice-Pres. Nixon works to end discrimination in hiring by companies with government contracts.

The breakthrough follows a shift in strategy on the

part of the committee. First set up in 1953, it originally concentrated on asking contractors for a generalized and practically unenforceable commitment not to discriminate in hiring. Today, the committee is seeking specific promises to hire Negroes immediately for white collar and skilled industrial jobs.

No one on the committee suggests that the few breakthroughs scored so far represent a fundamental change in job opportunities for Negroes. But it is hoped that placing Negroes in pilot jobs will make skilled jobs for Negroes a more acceptable idea throughout given communities in the South.

• • •

Toledo Building Trades Unions

Threaten to Bolt Forced CIO Merger

A number of building trades unions are threatening to bolt a forced merger of the Toledo AFL and CIO city bodies for a "mutual assistance committee" set up in cooperation with the Teamsters union.

AFL-CIO Pres. George Meany last month (BW-Oct. 24 '59, p138) sent a special representative to Toledo to push through a merger at a special convention on Nov. 21. But a number of building trades unions said that they would boycott the meeting. They have joined hands with the local teamsters in a new group with some 28 affiliated unions.

This same pattern, it is expected, will be followed when shotgun mergers come up in Dayton, Akron, Columbus, and Cincinnati.

• • •

Labor Joins Business to Fight IRS

On Taxing of "Lobbying" Expenses

The United Auto Workers (AFL-CIO) and the National Assn. of Manufacturers found themselves on the same side of the fence last week—along with other labor and management organizations—in opposing an attempt by the Internal Revenue Service to clarify what it means by lobbying expenditures, not deductible on corporate or personal income tax returns.

In a two-day hearing before IRS examiners in Washington, more than 30 organizations criticized IRS' proposed new regulation on contributions that are not tax deductible within the hazy bounds of "lobbying" (BW-Nov. 7 '59, p38). Their argument: The new regulation not only fails to clarify the issues, but its language actually seems to compound the confusion.

IRS issued the proposed regulation in September and asked for comment. It intended not only to clarify what it means by the terms "lobbying," "propaganda," and "political activities," but also to close loopholes in its previous rule.

Business organizations are concerned particularly about what can be classified as business expenses deductible on corporate income tax returns. Labor unions are interested especially in a phrase that would require tax payments on dues to any group in which "a substantial amount of activity" is directed toward lobbying. They argue that their activities have long been considered tax exempt by Congress.

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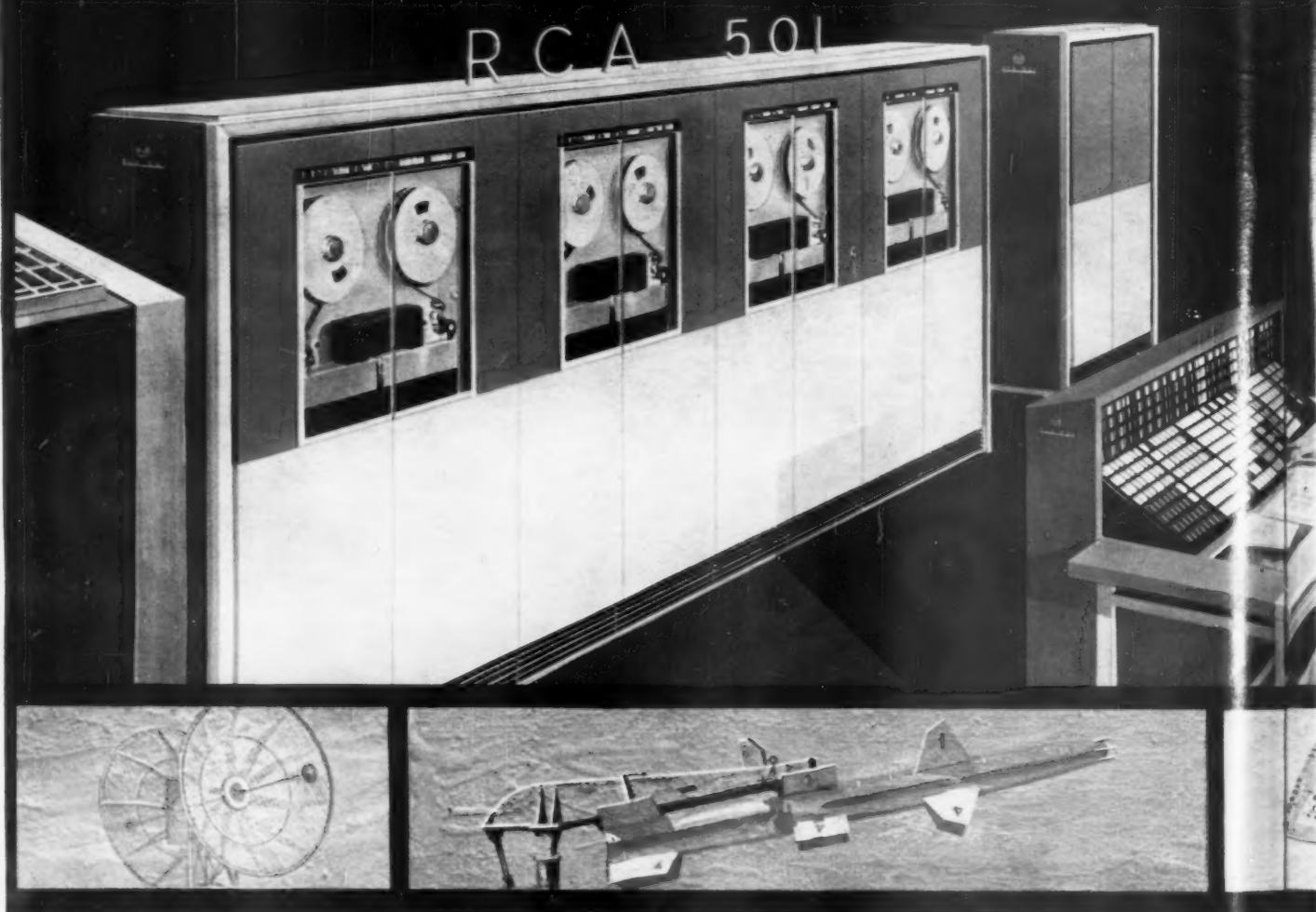
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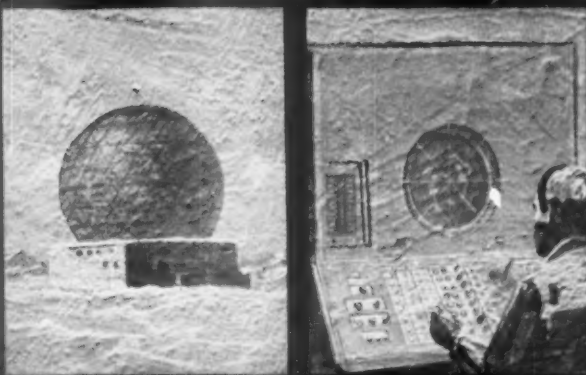
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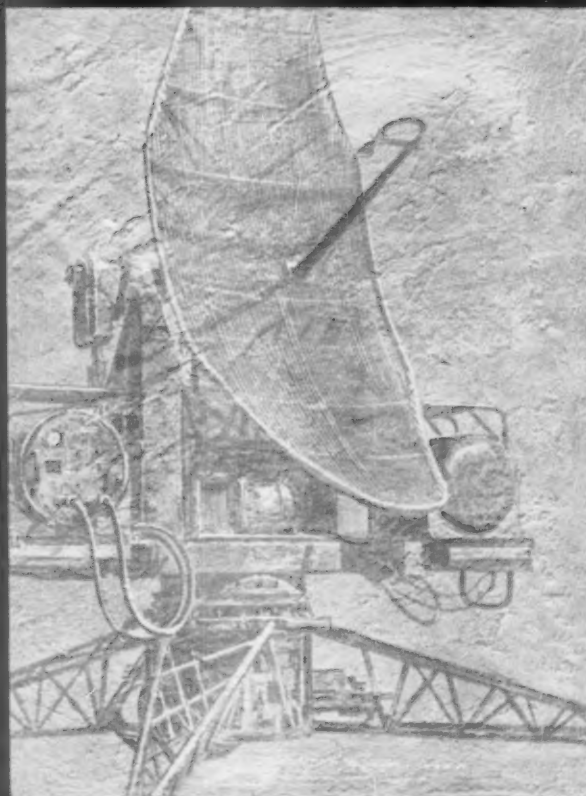
You can start with a small-sized basic system which can be carefully matched to your current workload and involves a minimum commitment. Then, when you are ready, you can add "building-block" type auxiliary units, and expand your RCA 501 into a very large system. Both number and type of units can be chosen at any time to answer your increased need for data processing equipment.

You also enjoy daily operating savings as a result of the advanced features built right into the system. True *variable length recording*, one of several outstanding tape features, lets you record data on tape according to the natural length of individual items, rather than according

it the job



Another way RCA serves business through electronics



to the longest record in the group. As a result, you save miles of tape and hours of machine time. *Time-shared electronics*—another important feature of the over-all system—assures high utilization of input and output equipment by allowing up to 16 pairs of simultaneous operations.

Complete program of customer assistance. RCA's large staff of skilled personnel provides comprehensive backup service. This service starts long before your system is delivered, and is always at your fingertips after delivery to keep the installation functioning at top efficiency. RCA experts provide aid in systems analysis, personnel training, programming assistance, advice on site preparation, and maintenance.

To see the RCA 501 in action, visit the RCA Electronic Data Processing Center, Cherry Hill (near Camden), New Jersey. To arrange for a visit or for further information, address: Radio Corporation of America, Electronic Data Processing Division, Camden 2, N. J.

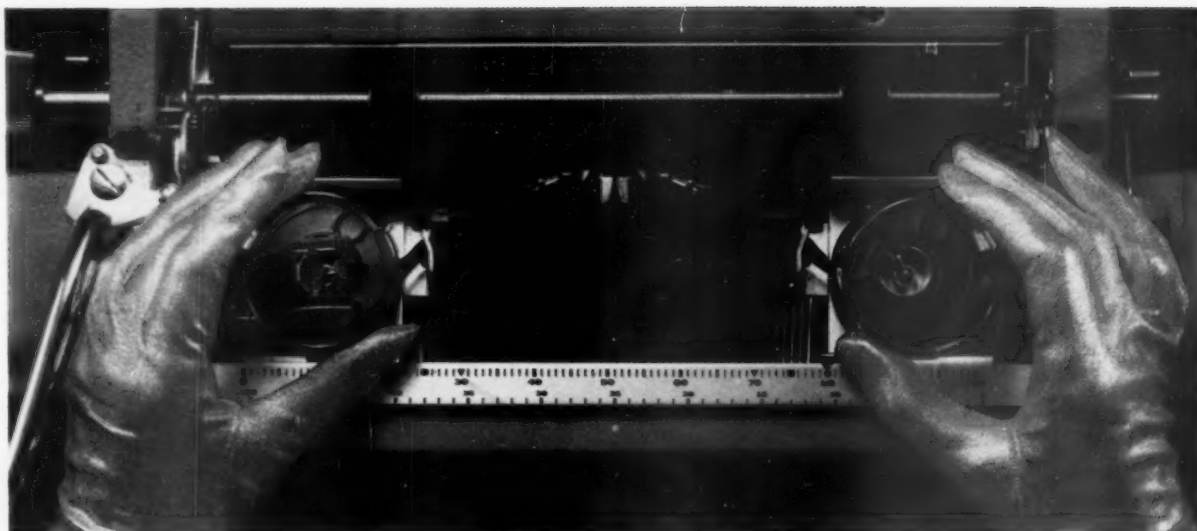


The all-transistor RCA 501 System is at work for business and government now!

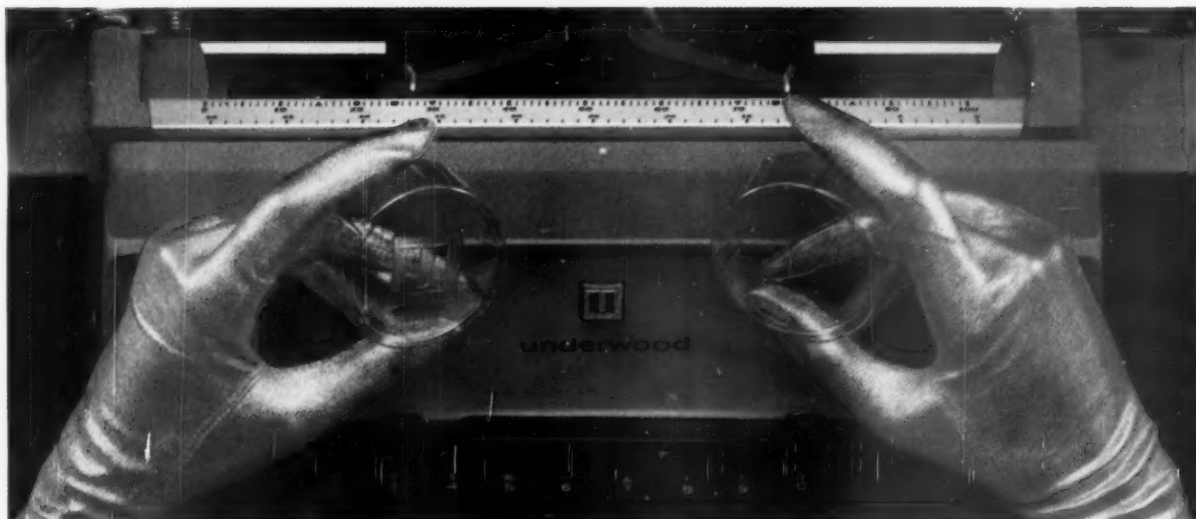


RADIO CORPORATION of AMERICA
ELECTRONIC DATA PROCESSING DIVISION, CAMDEN 2, N. J.

TMK(s) ®



1. She places two spools in position on the spindles...



2. She removes two halves of a protecting transparent container...

There's magic in it... Kodapak magic!

ACTUALLY, changing an Underwood Duo-pak Ribbon is like doing something with "magic gloves," thanks to a cleverly contrived Kodapak Sheet container.

The typist merely hooks a convenient loop through the ribbon guide . . . then positions the two spools. She sees what she is doing; she needn't touch either ribbon or spools! All possible through the magic of Kodapak!

Kodapak II, to be exact, selected for its transparency, its tough resiliency, its superior forming characteristics—selected, in brief, for its proved capacity to produce fine finished products with minimum production waste—"make good products better!"

But see for yourself how Kodapak can solve many packaging problems. Just call our representative or write:

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"Kodapak" is a trademark for Eastman's plastic sheet

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Cellulose Products Division, Rochester 4, N. Y.

Sales Offices: New York, Chicago, Atlanta. Sales Representatives: Cleveland, Philadelphia, Providence. Distributors: San Francisco, Los Angeles, Portland, Seattle (Wilson & Geo. Meyer & Co.); Toronto, Montreal (Paper Sales, Ltd.).

In Finance

. . .

S&Ls and Commercial Banks Trade

Potshots in Feud Over Tax Status

The U.S. Savings & Loan League last week fired another blast in its running feud with commercial bankers over the Mason bill (BW-Jul.11'59,p75), which would boost S&L taxes and might force some S&Ls to cut dividend rates. It suggested—in a resolution passed at its annual convention in Dallas—that members close their accounts at banks supporting the tax increase. Nationally, S&L deposits at commercial banks amount to about \$1.75-billion.

Bankers weren't impressed with the S&L resolution. Lee P. Miller, president of Citizens Fidelity Bank & Trust Co., Louisville, and last year's president of the American Bankers Assn., issued a statement repeating his charge that the S&Ls are "unpatriotic" in their attempt to preserve their favored tax status.

. . .

Seaboard Finance's Credit Card Subsidiary

Gives 'Average Family' Chance to Charge It

International Charge, Inc., nationwide credit card subsidiary of Seaboard Finance Co., this week began its invasion of the New York-Philadelphia-Baltimore market by sending out some 200,000 cards, mostly to current and past Seaboard customers. It claims that 8,500 merchants in the area will honor them. Cards were also sent to Toronto customers.

Seaboard isn't aiming at the traveling businessman market that Diners' Club (page 68) has exploited so successfully. Instead, it's shooting for the "average family"; it has signed up mostly smallish local merchants. But, as with bank credit card plans (BW-Mar.7'59,p55), purchasers can spread their payments out longer than a month, providing they're willing to pay 1½% per month in interest charges. Diners' doesn't offer this privilege.

. . .

Alabama Passes a New Small Loan Act;

Corner 'Loan Shops' Expected to Fold

The bitter fight over small-loan legislation in Alabama (BW-Sep.19'59,p168) finally ended last week with passage of a compromise bill, patterned on the "model" Uniform Small Loan Act originally drafted by the Russell Sage Foundation, and providing stiff penalties for violations. If Gov. John Patterson signs the bill as expected, two results should follow:

- Big, national small-loan chains, such as Household Finance and Beneficial Finance, are expected to open lending offices in the state.

- Many of the more than 300 corner "loan shops" in the state are expected to fold up. State Attorney Gen. MacDonald Gallion had sued these companies en

MORE NEWS ABOUT FINANCE ON:

- P. 68—Diners' Club looks toward new fields for growth.

. . .

Bank of America Sets Up Subsidiary

For Lending to Small Businesses

The Bank of America, the nation's largest commercial bank, this week gave a boost to the lagging small business investment program (BW-Jun.13'59,p29). It announced formation of a wholly owned subsidiary, Small Business Enterprises. SBE will operate under the 1958 law which gives special tax advantages and government capital—if requested—to companies formed to invest in small businesses. Initially, it will have \$1.5-million paid in capital, out of \$7.5-million authorized.

SBE will merchandise its loans in typical Bank of America style through the 600-plus branches that blanket the state of California. For the most part, its financing will be in the form of convertible debentures, at rates running from 6½% to 7%, well under the 10% limit set by the state. The maximum loan will be \$300,000, or 20% of paid in capital, but few loans of this size are expected.

In a separate move, the Small Business Administration ruled that small business investment companies can invest in foreign subsidiaries of U.S. companies. However, outfits that do most of their business overseas won't be eligible. In addition, SBA said this week that it has funds available to lend at 5% to existing SBICs. It will lend up to 50% of an SBIC's total assets.

. . .

Finance Briefs

Nationwide Mutual Insurance Co., fifth largest auto insurer in 1958, this week sliced its rates 15% on liability insurance for compact cars in Ohio. Approval for similar rate reductions is pending in 16 other states. Meanwhile, Allstate Insurance—the first company to offer discounts on small car insurance—won approval for a 10% reduction in Colorado. The state's insurance commissioner had first announced opposition to the plan (BW-Oct.31'59,p48).

New York City this week acted to push a plan to ease its hard-pressed finances—selling "air rights" over low municipal buildings to private builders who will erect tax-paying structures above them. Mayor Robert Wagner ordered city agencies to report why all their planned public construction cannot be done this way. There's no estimate of total revenues, but in one of the first instances of joint public-private use, the city realized nearly \$1-million from the sale of "air rights." Realty interests favor the plan, for it gives them access to some valuable municipal sites.

Diners' Club Scouts New Fields

Its leaders see a need continually to expand its services, to build up an economical billing volume.

From its two main offices in New York and Los Angeles, the Diners' Club, Inc., this week mailed its newest credit card and directory to almost 1.1-million members across the country. Diners' card, which is good for the next six months, will enable its holders to buy or hire, on a charge account basis, an astonishing variety of items (picture).

To Ralph E. Schneider, chairman, and Alfred S. Bloomingdale, president (cover and picture at left), who guide Diners' fortunes and have big personal stakes in its success—together, they own 43% of its outstanding shares—this particular mailing has a great deal of significance.

• **Reason to Worry**—Just a year ago, their credit card club was facing its first formidable competition—from American Express and Hilton Hotels' Carte Blanche. Financial analysts in Wall Street, who had always been skeptical about Diners' and its spectacular growth, freely predicted that its days were numbered.

Schneider, a dapper and deliberate 50-year-old lawyer who has been involved with Diners' since its beginning in 1949, was worried. So was Bloomingdale, an impulsive and ebullient 43, who, before joining Diners' in 1952, called himself a "playboy."

Their contrasting personalities had made them an effective team in promoting the acceptance of a national credit card which, for a \$5 annual fee, allowed its members to charge meals and hotel bills. Their success had bred a number of imitators but, through inexperience or inadequate resources, almost all of them had fallen by the wayside. In contrast, American Express and Hilton were giants.

Now, a year later, Schneider and Bloomingdale are breathing easier. Those who doubted Diners' ability to compete against the giants have clearly underestimated it. Diners', with 300,000 more members than a year ago, is now bigger than ever, and its management is confident it will stay out ahead.

• **Numbers Game**—In the battle of the credit cards, which has been dubbed the "numbers game" because of the differing claims of the clubs—Amex now claims over 700,000 paid members, while Hilton says it has 1-million in all with an unspecified number paid

—Diners' owns up to making some costly mistakes and says that its competition did, too.

The battle also brought changes to Diners'. And the prospect is for even more radical changes in the future.

Diners' sales volume—\$140-million in fiscal 1959 and an estimated \$200-million in 1960—stems mainly from on-the-cuff charges at hotels and restaurants. Today, 90% of its volume is still derived from this category, with the rest coming from a miscellaneous group of charges. But in response to its new competition, Diners' has made a number of moves will alter its volume mix substantially.

• **Merchandising**—Competition, for example, forced Diners' to launch into the merchandise field, where volume in big city chains such as Broadstreet's is showing a month to month increase. It has achieved good results from its stepped-up efforts in the mail order field, offering a large variety of goods—from books and toys to travel insurance.

Recently it signed up Western Air Lines, the first line to permit Diners' members to charge trips directly. Up to now, the only way a cardholder could charge a plane fare was through a Diners' travel agent. This crack in the airlines' solid front, predicts Bloomingdale, will widen.

Diners' has still other plans up its sleeve. Right now, for instance, it is considering a scheme for the sale of mutual fund shares. There are no plans afoot for Diners' to form a fund of its own. Nor will cardholders be permitted to buy stocks on the cuff at brokerages. The idea is that Diners' will sell shares of existing funds, on a commission basis, to its members.

This does not mean that Diners' is abandoning the restaurant field. On the contrary, Schneider says that it remains Diners' bread and butter. But he feels that it cannot depend on this sector alone if it is to survive and grow. "Not all the uses for credit cards have yet been exploited," he says.

I. Playing by Ear

Aside from the fields it is now exploiting and those it is exploring, Diners' is not sure of just where it is headed. Schneider points out, though, that this has always been the case. When Diners' was first conceived, he considered it as purely a local operation for businessmen in the New York area. More than once, he had been willing to sell out because he felt the idea had limitations; luckily, he says, none of the



DINERS' CHIEFS are Pres. Alfred S. Bloomingdale, seated, and Chmn. Ralph E. Schneider. They are looking for more services for their credit card to cover.



ALL ON THE DINERS' CLUB CARD are a variety of services from food and drink to clothing, air travel, and a public stenographer.

... Diners' is now conceived of as a superior sales and distribution setup whose potential has not been fully tapped ...

(STORY on page 68)

offers he received was attractive enough.

• **Innovation**—Diners' growth is due partly to circumstance, partly to its own innovations. The key circumstance is the postwar phenomenon of the expense account, enjoyed by a large group of executives. Diners' idea of a credit card that gave the executive a simple monthly record of his charges happened to fit a particular need.

Diners' real innovation was in coming up with a formula that would attract retail outlets. In essence, it adopted a variation of the factoring techniques, which entails the sale, at a discount, of account receivables to an outside agent who assumes responsibility for collections and losses.

This is precisely the kind of relationship that exists between Diners' and the establishments that display its emblem. The difference is that Diners' buys only the account receivables—at a 7% discount from hotels and restaurants, 7% to 10% from other outlets—that are incurred by its cardholder. Thus, Diners' special twist was that it helped to create the account receivables that it buys.

• **Selling an Idea**—Diners' plan took a lot of explaining to both the public and the restaurant trade. Once it caught on, it snowballed. From 1955 on, it grew at the rate of 40% a year—in members, volume, profits. About 80% pay the \$5 fee, with the rest "add-ons" to corporate or family accounts at \$2.50 each.

Diners' learned the tricks of the trade, particularly in spotting frauds and deadbeats, as it went along. While Wall Street tended to look on the credit card as a gimmick, the performance of Diners' made clear it was a pretty good gimmick.

• **Still Need Cash**—Indeed, Diners' growth was responsible for a blizzard of credit cards that raised the specter of a bill-less, coin-less economy. But, though there has been a vast increase in their use, credit cards are far from indispensable and nowhere near being universally acceptable.

True, an Amex or Diners' card is good for a safari in Africa, the hire of a stenographer, or the purchase of an outboard motor. But any traveler knows that cash is needed for taxis, tips, and a host of miscellaneous expenses.

Moreover, the expansion of the national credit cards, with their single-billing feature, brings them into conflict with banks and stores, which possess other advantages. Diners' venture into the clothing field, for example, is not a trail-blazing sortie such as it achieved in the restaurant field. Stores have long offered charge accounts to

credit-worthy customers, and they provide installment plans as well. Banks are offering new competition with their own charge cards, and another new entry is Seaboard Finance Co.'s credit card scheme, which was extended to the East Coast this week (page 67).

But Schneider and Bloomingdale are convinced that Diners' can forge ahead. They feel they have demonstrated that competition has not hampered Diners' growth. To them, Diners' is not merely a convenient new type of device for stimulating the use of credit. They now conceive of it as a superior sales and distribution setup whose potential has not yet been fully tapped. Their biggest asset, they say, is their membership, which has responded to every one of Diners' promotions.

II. Finding New Uses

Diners' future depends on its ability in finding new uses for its credit cards. The figures make clear that there is no other way to grow.

Since 1956, the yearly bill of Diners' members has averaged about \$185. Despite the over-all rise in personal incomes and in prices, there has been no increase in the average; in 1958, a recession year, there was a slight dip.

Some members, of course have four-figure charges a year, but they are offset by a large group with infrequent or very small charges. In any one month, according to Diners', about 60% of the membership will run up charges.

Thus, Diners' could not have increased its volume if it had depended on a fixed number of outlets and a fixed group of members. But there are risks in expanding—both in membership and in outlets.

• **Dipping Deeper**—An increasing proportion of members, for example, is drawn from income brackets below those already on the books. This doesn't mean that Diners' is taking just anybody. Last year, when American Express got into the act, Diners' let its guard slip a little in an effort to keep its lead in the numbers game. Today, its credit men are rejecting about 20% of all applications, compared with 15% a year ago. But it has to work harder and spend more to acquire new members simply because it has already enrolled those who have the most use for a credit card.

In its effort to increase its membership, Diners' downgrading means that its newer accounts will probably have smaller average charges, and at the same time, show a greater incidence of de-

linquencies and outright bad debts. However, Schneider is confident that Diners' expertise in credit investigation will keep losses to the one-half of 1% that has been registered to date.

Diners' rejected the application of Joseph Miraglia, the 19-year-old clerk who ran up a \$10,000 bill on a credit card spree. But it realizes that its card is an open invitation to the larcenous. So it has set up a system of controls, particularly in the merchandise field, aimed at preventing any big losses.

He also thinks that the average bill can be raised if Diners' is able to add new and inviting services. Reaching agreement with the airlines, for example, could increase volume; the same holds true for a mutual fund selling plan. In both cases, the average charges would be much higher than the average restaurant bill.

• **Spreading Outlets**—Competition to put outlets in Diners' directory, like competition for members, has its problems. In the restaurant field, an outlet that signs up with credit card clubs has a competitive advantage, provided similar establishments stay out. But this edge is lost once the competition is in.

This is perhaps the main reason that Diners' is considered a "necessary evil" by restaurants. As one New York restaurateur puts it: "I joined Diners' early and increased volume as a result. But now that everyone else has joined, I am only staying in because to drop out would mean a decline."

Bloomingdale acknowledges that the restaurants have a point. In his attempt to get Diners' accepted by the airlines—his pet project—he is going on the assumption that it cannot be done on a blanket basis. Instead, he is trying to interest one airline on each major route with the offer of an exclusive deal.

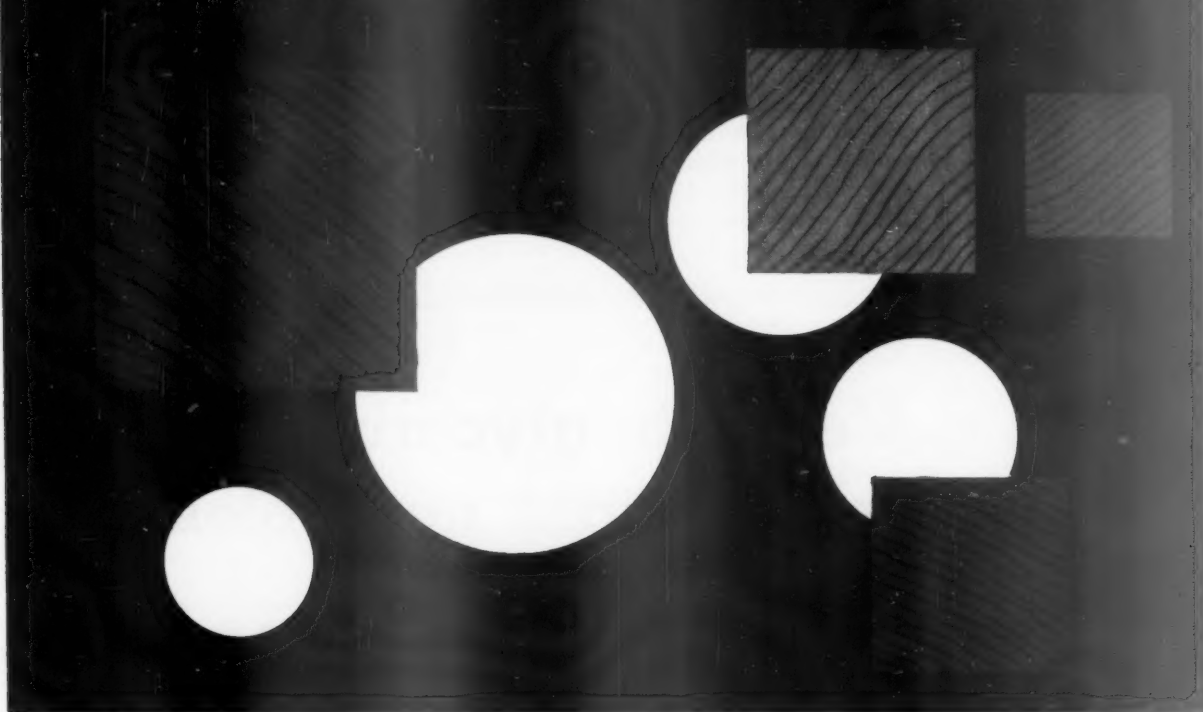
III. The Sheraton Deal

The precedent for such a move is the deal Diners' made with Sheraton Corp. last year. Diners' has a large number of hotels and motels available to its members, but it is the only credit card accepted for single billing purposes by Sheraton.

The Sheraton deal, however, ranks as one of the mistakes Diners' made. Schneider is not sorry about the contract with Sheraton, but he does think he gave away more than he got, at least in the short run. The deal is a good example of the worry, tantamount to panic, that Diners' felt when it was threatened by competition.

• **Switching Hotels**—Last year, when Amex made clear its intentions, Schneider and Bloomingdale knew they had to strengthen their position in the hotel and travel field. First, they talked to Hilton; Sheraton, meanwhile, was negotiating with Amex. The Diners'

How many of Your Scales are SQUARE PEGS in ROUND HOLES?



Accuracy alone is not enough ... Scales must fit the job



1/3 actual size

NEW TOLEDO PRINTWEIGH "400"

Prints complete weight records on tickets or sheets, also on strips. Full-figure printing, even when unit weights are used. Positive weight identification, with selective numbering, weight symbols, or consecutive numbering. Time and date printing available. Transmits weight data for recording by remotely located office machines, if desired. Ask for Bulletin 2017.

Scales that were right for their jobs in your plant yesterday may be "misfits" today. This can easily happen as a result of changes in plant layout, materials handling, inventory controls, or in value or quantity of materials weighed.

And misfit scales can bottleneck production, infect your weight records with costly errors, slow down materials handling, undermine inventory controls — product quality — customer goodwill!

Be sure your scales are not just 100% accurate, but 100% adequate, too. We will gladly arrange for an adequacy test to cover any or all of your scales. A few minutes at each weighing station will give you the facts on scale capacity and location, dial visibility, platform size and height and other factors that determine scale adequacy. Address: TOLEDO SCALE, Division of Toledo Scale Corporation, Toledo 12, Ohio.



TOLEDO®

Headquarters for Weighing Systems



Industry's Chemicals:

WHAT'S MAKING NEWS?

Workhorse or race horse? The Percheron does the heavy hauling but the Derby winner gets the headlines. In the field of industrial chemistry, the publicity goes to the exciting new formulations—the miracle chemicals. But the workhorse chemicals are still the backbone of the industry. The news notes on these pages discuss some of these widely used products—which have lately been developing a little news value on their own.

You may wish to check certain items in this advertisement and forward to those concerned in your company.

ROUTE TO:

Versatile glycerine plays important new roles

Glycerine (from the Greek word "glykeros", meaning "sweet") is one of the oldest chemicals known to man. Yet the last decade has seen this old standby again display its amazing versatility, by the important part it takes in new scientific and industrial developments.

Recent chemical news mentions dozens of new applications. For example . . . U. S. Navy medical officers are now researching a new technique of storing blood in glycerine, to in-

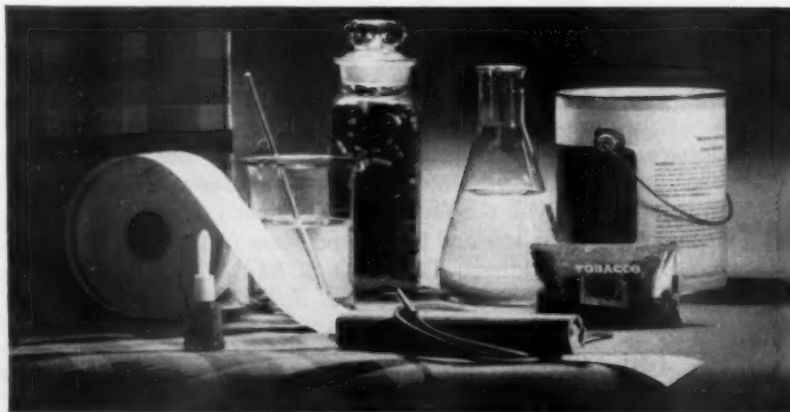
crease the usable life of red blood cells from 20 days to two years . . . Industry reports the use of glycerine as a medium for sonic energy transmission in quality control tests of metal-bonding . . . Space-age pilots who have to wear an oxygen mask at all times, now have a new, lightweight headphone set that can be used with the mask—thanks to glycerine-filled cushions that surround the phones to provide a close, yet comfortable fit.

New commercial products using glycerine burgeon, too—especially in the fields of drugs and cosmetics. A new dentifrice using glycerine claims exceptional cleaning and tooth bright-

ening action. End-wraps for aligning and conditioning hair during the permanent waving process depend on glycerine to retain curl, moisture, and texture. And, as a vehicle in modern medicinal preparations, glycerine today is one of the most widely specified ingredients in the U. S. Pharmacopoeia.

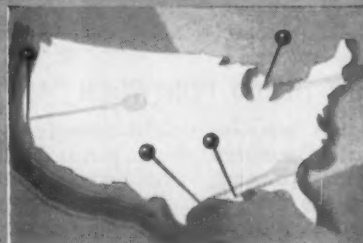
To name a few important industries that make major use of glycerine: cellophane, paper, paint, tobacco, cosmetics, dynamite, drugs, textiles, and food processing. And they'll be using more of it in years to come.

What's the reason? Behind the bustling activity of glycerine is this important fact: increasingly abundant



Glycerine is used in the manufacturing and processing of countless products. A few of them are illustrated here.

DEVELOPMENTAL



RELIABLE SUPPLY — Four producing plants and nine terminals ensure users of Dow Caustic of a regular supply. Order it from Dow and be sure you'll have it when and where you need it.

and stable supply that has encouraged creative experiments and formulations employing this useful agent. Although glycerine has been a factor on the commercial scene for just about as long as this nation has existed, it didn't gain its independence until 1947. Prior to that year, glycerine had been available solely as a natural byproduct, with the accompanying fluctuations in supply. But 1947 saw the development of synthetic glycerine and, with it, the beginning of whole new fields of activity for this many-faceted chemical.

Chemically, there's nothing very complex about glycerine. It is the simplest trihydric alcohol, colorless, odorless and viscous. The secret of its success lies in its three hydroxyl groups which make possible a greater number and variety of derivatives than are possible with other common alcohols. Also, it develops no objectionable color, odor or taste.

Dow produces three kinds of glycerine. *Glycerine Synthetic* is the choice in most industrial applications. *Glycerine USP* meets U. S. Pharmacopoeia standards, including a 95 per cent minimum glycerol content (Dow's runs 96 per cent, just to make sure). *Glycerine USP 99.5%* is used by customers who find the 4 per cent water in *USP* undesirable in their process. Because supply from the two big Dow plants in Freeport, Texas is abundant and dependable, the future of glycerine as the inspiration for new products and processes continues bright.

★ ★ ★ ★

WANT TO KNOW MORE? Dow welcomes your inquiry if you would like to have more facts about any of the chemicals discussed here—or any other Dow chemicals which might be useful in your operations. Write today to THE DOW CHEMICAL COMPANY, Midland, Michigan, Chemicals Merchandising Department 609AF 11-21.

PUTS THE HEAT ON— WITH SAFETY

Beating the heat is a popular pastime with everyone in summertime. In industry, though, it's a deadly serious business the whole year 'round. High heat is an absolute necessity in many industrial processes—but it has had its drawbacks. Direct fire, of course, is frequently dangerous. Steam generates tremendous pressure which is hard to control. The question is how to get high heat with low risk. The answer is to use Dowtherm® A.

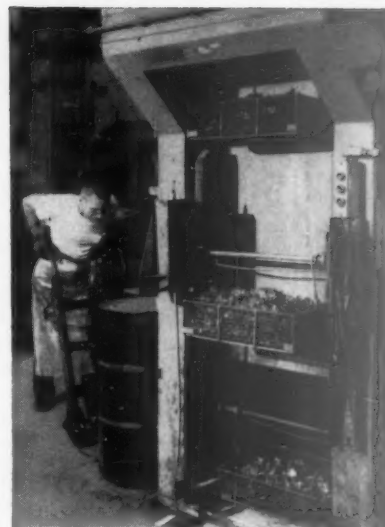
This most efficient heat transfer medium builds a negligible amount of pressure, compared to steam. (The effect on insurance rates is very healthy, indeed.) But more than that, it permits pinpoint heat control at any temperature between 350°F. and 750°F. This is especially important in food processing where temperatures must be exact. Oil companies and chemical processors find Dowtherm A an ideal product for their heat problems.

DOW CHEMICALS BASIC TO INDUSTRY

Glycols, Glycol Ethers
Amines and Alkylene Oxides
Benzene Derivatives
Inorganic Chlorides
Alkalies and Halogens
Solvents • Germicides • Fungicides
Herbicides • Fumigants
Hundreds of other Chemicals
Plastics • Magnesium

THE DOW CHEMICAL COMPANY

Midland, Michigan



Cleaning metal parts is faster and safer with Dow chlorinated solvents.

CHLORINATED CLEANLINESS KEEPS PRODUCTION ROLLING

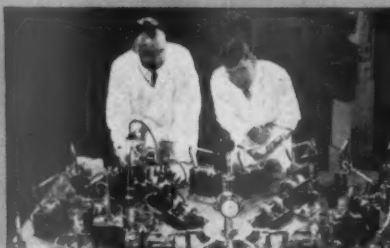
"Keep it clean"—in the literal sense—is an axiom of the metalworking industry. The plain fact is that metals cannot be finished unless they are clean. In the automotive industry, for example, thousands of parts must be thoroughly cleaned for every car that is assembled. By hazardous, old-fashioned cleaning methods, the time required to do this staggering job would be multiplied many times (with resultant major increases in cost).

That's why the industry turns to chlorinated solvents made by Dow, such as Chlorothene®, trichloroethylene, methylene chloride and perchloroethylene. High solvency and low toxicity add to the ability of Dow solvents to get metal parts clean in a hurry at minimum cost.

LABS, PRODUCTS, IMPROVEMENTS...



MAXIMUM PRODUCTION—Products subject to attack by fungi or bacteria can be protected with Dovicide® preservatives. Common applications are in the fields of cosmetics, drugs and soaps.



AUTOMOTIVE CHEMISTRY—Dow Automotive Chemicals Development Laboratories devote full time to the development and improvement of antifreezes, coolants, synthetic lubricants and brake fluids.



THICKENING PROBLEMS—Tasteless, odorless Methocel® products are available in three types and nine viscosities. These gums add bulk and stability to foods, paints, drugs and cosmetics.

Hilton talks ended when it became clear that "they would have meant the end of an independent Diners' Club." Almost simultaneously, Amex and Sheraton broke off their discussion. So a Diners' deal with Sheraton became possible.

Sheraton had a lot of bargaining strength. It had a list of 800,000 customers who received free credit cards for use in Sheraton's hotels. In addition, it had formed the Sheraton Central Credit Corp., a paid membership club, designed to compete with Diners' and Amex. Diners' saw a chance to cement its position if it could latch on to Sheraton's lists.

• **At a Steep Price**—It got what it was after, but it paid a stiff price. In exchange for 156,250 shares of Diners' stock—then worth about \$5-million and 12½% of the shares then outstanding—and warrants to buy 183,750 more shares at prices ranging from \$40 to \$43.81, Diners' took over Sheraton Central, with a guarantee that Sheraton would produce at least 200,000 new cardholders within a year.

Sheraton also agreed to pay a 4½% commission on charges. This was below Diners' usual 7% hotel commission, but Sheraton was paying on gross billings—including telephones, tips, valet and laundry service—not on room, food, and liquor alone.

• **Dream of Numbers**—Diners' desire for Sheraton's list at a time when all sorts of numbers are being tossed about is reminiscent of Gogol's famed novel *Dead Souls*, in which—during the era when wealth in Russia was counted in serfs—the hero hits on a plan to make himself more important by padding his list with dead serfs.

Diners' found that about 40% of the names on Sheraton's list were already Diners' members, and that many others could not be located. Says Schneider: "Sheraton was not to blame. We were just beguiled by numbers."

As it now stands, Diners' got less than 100,000 members from Sheraton, which means that Sheraton will have to make a big cash payment—\$5 for every one it falls short—to Diners' next month. Schneider would prefer members to cash, because it would mean bigger billings. But he is confident that the Sheraton deal will prove out because it gives Diners' exclusive billing rings in a growth situation.

"The deal was made on the basis of 47 hotels," explains Schneider. "Now they have 54, so we have more outlets to attract our members."

IV. Rising Costs

Currently, Diners' is more concerned about its costs, which have increased along with the increase in members and volume.

This year, its promotional efforts to gain new members are costing much more than in the past—about \$4.50 each. The cost of billing and credit checking has also increased, mainly because most of Diners' bookkeeping is done manually, so that extra clerical help has been needed. And rising interest rates mean that Diners' must pay more to lenders—it borrows funds from the banks at ¼ of 1% above the prime rate—on a much larger amount of debt.

• **Trying to Economize**—There is nothing that Diners' can do about the high cost of borrowing. But it is seeking to cut its promotional expenses, and it is moving toward automation of accounts.

This should eventually raise profit margins, but the cost of automation requires a bigger volume of billings than Diners' now has. It is considering taking over Sheraton's accounting, which would give it the kind of volume that justifies the outlay for automation. But that is still not settled.

• **Commission Fees**—If and when Diners' is able to keep its costs from rising, it may decide to cut its commission charges. Restaurateurs gripe about Diners' flat 7% rate, particularly since *Carte Blanche* charges 4% and Amex has a sliding scale from 7% down to 5%, depending on volume.

Diners' has resisted any change on the ground that it produces much more volume than its rivals. Schneider says that the one big mistake that his competition made was to undercut Diners' on commissions rather than on the membership fee.

"We know from experience," he says, "that it is the customer, not the establishment, that produces volume."

Apparently most of Diners' outlets are in agreement. Earlier in the year, many appeared ready to end their relationship. But the large volume that Diners' brings in has quieted all but a few rebels.

Diners' officials say that some restaurants continue to "tout"—getting their customers to sign up for an individual charge account, and others have tried doing without national credit cards. But Bloomingdale says: "A restaurant having its own charges soon finds out that payments are extremely slow, and it only takes a loss or two to make up for a lot of profit."

V. Growth Rate

The big question facing Diners' is whether its membership can be increased, and spending volume raised, at anything like the current growth rate. Schneider and Bloomingdale are confident that it can be done. But even though it has weathered the past year with great aplomb, Diners' is in a sense still on trial.

That's because it is going out into areas where the competition is already keen or where the use of a card is far from proven. Diners' has been adept at promoting new uses for its credit card, but it has no carefully defined plans of where it can go.

• **Where Is It Headed?**—Its latest excursions suggest that it is becoming more and more of a grab-bag, combining a mail order operation with an on-the-cuff travel and entertainment business.

Earlier this year Diners' considered going into a land development operation in Florida. It felt that such a deal would be a natural for its membership. But the plan required a big outlay of cash and, when Diners' bankers expressed some doubt about this type of expansion, the deal was dropped.

Another proposal getting consideration is to set up a small loan company. This would enable Diners' to compete more effectively with banks, and provide an even broader market for its card. Schneider points out that "everyone talks about invading our field; they don't realize that we can invade other territories."

• **Valuable List**—This indicates that Diners' is interested in anything that can be used in conjunction with its membership list. There is no doubt that the list is a valuable property—Diners' got more than 200,000 in extra income through sales of its list last year. But it is possible that adding too many things will result in killing the goose that lays the golden eggs.

Diners' members have so far been warmly receptive to every project that has been added. Indeed, a scheme to provide theater tickets proved too successful, for it was impossible to fill all the requests that were received. The fact is that cardholders consider themselves as loyal members of the club, who by their complaints and comments have served to alert management to cases of "touting" and cheating on the part of the outlets.

• **Commissions First**—Diners' has not altogether returned the compliment. It has never used its growing influence to encourage higher standards in the fields it serves. Although many members look upon the Diners' emblem as a personal seal of approval, Diners' itself is mainly interested in signing those outlets that will bring the most commissions.

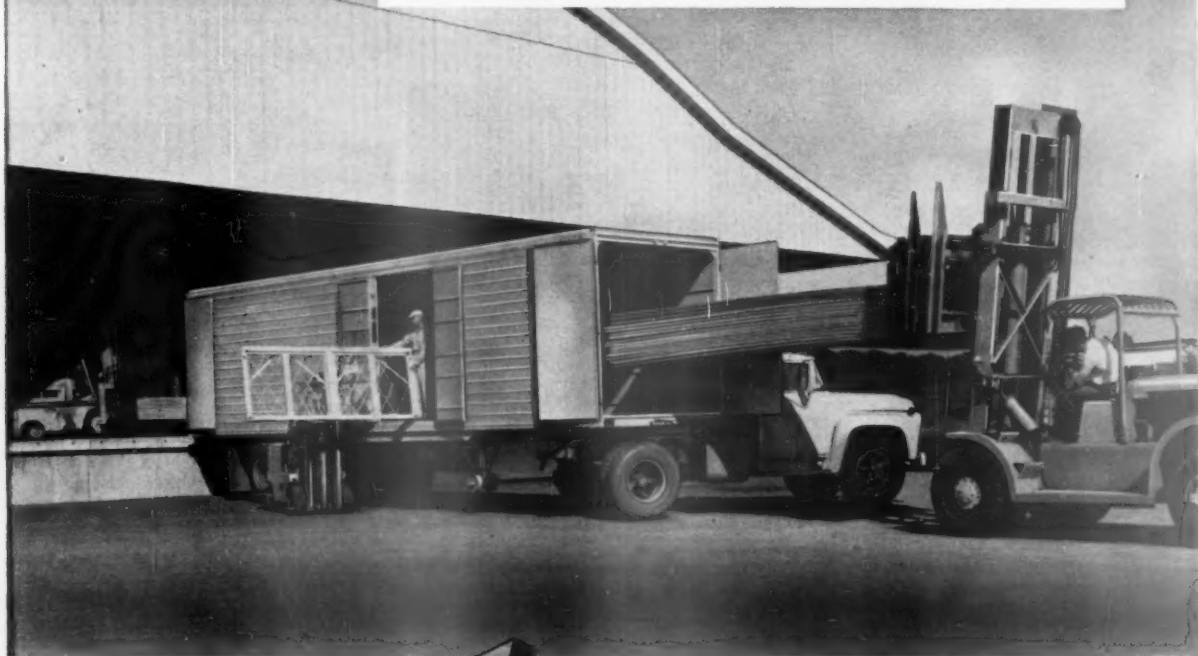
However, Schneider says that to attract the widest possible membership, it is essential to have a wide range of services. As he sums up: "The executive may be interested only in our restaurants, but others will join because they find us a convenient way of buying books or records or Christmas gifts. We will give our membership what we think will sell." **END**

A FASTER PACE AT THE LUMBERYARD

The increasing pace of homebuilding and modernization all over the United States has created both new opportunities and problems for the nation's thousands of building suppliers. Motor Transport has furnished one very practical solution to the problem of increasing volume and the pressure of time.

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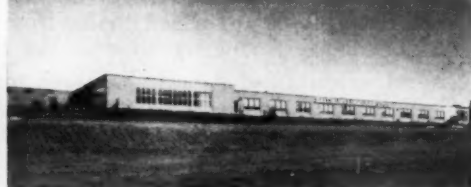
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Radio Corp. of America, Needham, Mass.



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Deciding Vote In The Economy

It's often held by federal government, says Harvard economist, discussing tax and spending effects.

The chief excitement at the annual Conference on the Economic Outlook, last week at the University of Michigan, was not in the usual attempt to predict the economic outlook for the coming year. Rather, it was in a fresh analysis of the changing nature of the American economy by Harvard University's James S. Duesenberry (right). Duesenberry threw light on a major—and much neglected—source of instability: the federal government itself.

The conference did not drop its franchise as one of the key yearend forecasting forums. The consensus was that the outlook for 1960 is fairly bright, but not powerfully boomy.

- **Optimism**—Eva Mueller, of Michigan's Survey Research Center, held that the combination of rising incomes and growing consumer optimism prior to the steel strike offers a basis for a further expansion of consumer demand once the steel strike is definitely over. The strike's effect, she said, is to stretch out the upward trend of consumer spending—to sustain it over a longer time.

McGraw-Hill's Dexter M. Keezer analyzed the new capital spending survey's finding that business is planning to boost plant and equipment spending by 10% next year (BW—Nov. 14 '59, p76). "It would not be too surprising," he said, "if the actual gain turns out to be somewhat more—perhaps in the range of 12% to 15%."

Keezer based this belief on the very strong trend of business generally and the likelihood that some expenditures originally planned for 1959 will have to be made in 1960.

- **Pessimism**—Daniel Suits of University of Michigan reported a less encouraging forecast based on the elaborate and recently rebuilt econometric model of Michigan's Research Seminar in Quantitative Economics. This suggests that GNP will rise by only about \$10-billion next year—roughly 2%—to a level of \$494-billion in 1959 prices.

This, said Suits, would be "disappointing." It would mean that, with growth of the labor force, unemployment next year might average 4.4-million, or 6% of the work force. That would be about twice the level of jobless that could be expected in a period

of full employment, the Michigan economist said.

Most of the 100 conferees—economists from universities and corporations around the country—thought Suits' forecast was "too pessimistic."

- **Semi-Pessimistic**—Summarizing the discussions of the 1960 outlook, Gerhard Colm, chief economist of the National Planning Assn., a Washington nonprofit research center, said GNP seemed to be headed for about \$500-billion next year.

That, said Colm, wasn't good enough either to keep down unemployment or to exhibit the kind of growth trend that would compare favorably with the Soviet Union's. But he reminded the group that such a conference must recognize the uncertainties in appraising the coming year. It cannot always send its participants home with pat predictions, said Colm. Sometimes the best it can do is to note the uncertainties.

- **Role of Government**—Duesenberry probed more deeply into those uncertainties for the long haul.

First he analyzed the changes in the private economy that have made consumption, business investment, and the financial system more stable than they were before the war (though by no means utterly shock-proof).

Then he went on to examine the role of government—which most economists have treated as the very source of the economy's new-found stability. His point was that it could just as easily be a source of instability.

According to Duesenberry, the federal government has come to play a Dr. Jekyll-Mr. Hyde role: It could be a source of greater stability or greater instability; it could stimulate long-term growth, or it could be a drag on it. For good or evil, said Duesenberry, the increase in government's role "is undoubtedly the most important change in the structure of the American economy in recent years."

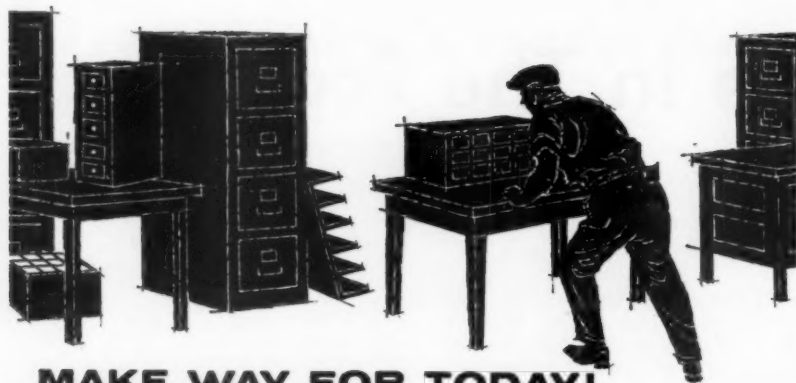
- **As a Stimulus**—In its beneficent role, he said, government can offset any tendency of the private economy to sag.

Duesenberry holds—as does Harvard's professor emeritus Alvin H. Hansen—that it is possible for a capitalist economy to have a "stagnation" problem. This arises when the investment opportunities generated by such factors as research and innovation, population growth, and military requirements are insufficient to absorb the savings that accumulate when a nation approaches full employment.

A large and steadily growing volume



JAMES DUSENBERRY of Harvard told Michigan conference how government economic policy can work two ways.



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of government spending, said Duesenberry, could enable the economy to avoid this stagnation—even if the budget were always balanced, or were balanced on the average.

• **Feedback Effect**—That's because rising government expenditures have a feedback effect on income; Income grows, it produces more taxes (if tax rates are held steady), and government spending can rise still further.

This is Duesenberry's "dynamic" version of a concept known to economists as the "balanced-budget multiplier," which demonstrates that you can get an inflationary push even with a balanced budget—if the total level of the budget rises. Duesenberry noted that, if the growth tendencies of the private economy were "very weak," a balanced budget might not be enough to keep the economy growing. But, he said, the government could still keep the economy on a stable growth trend by running deficits.

• **As an Unstabilizer**—Duesenberry broke fresh ground in his emphasis on government's Mr. Hyde role as a major source of instability in the U.S. economy.

Suppose, he said, the private economy is driven by strong growth forces and would tend to produce full employment most of the time, without large-scale government activity. Then a rising government budget—even if balanced—could produce chronic excess demand. That would lead directly, said Duesenberry, to unstable prices.

It isn't at all certain, Duesenberry argued, that the resulting inflation would also lead to instability in income. It could do so by generating a speculative boom in securities, inventories, or capital spending, any or all of which might then collapse. But this isn't inevitable, he held, even if the increase in government spending is dictated by overriding considerations of national security or pressing social problems. Taxes could be raised to generate a big enough surplus in the budget to eliminate excess demand.

However, Duesenberry conceded that this might be difficult to carry out, because of reluctance to raise taxes when the budget is balanced.

• **As a Drag**—The Harvard economist called attention to the opposite danger—that the government might promote instability by being a drag on the growth of income and expenditure, rather than by adding to inflation.

Suppose, he suggested, that the forces of growth in the private economy are strong enough to permit total income to grow—provided that the government increases its spending in proportion to the increase in income. Then suppose national security needs don't dictate budget rise, and pressure for non-defense spending fails to push



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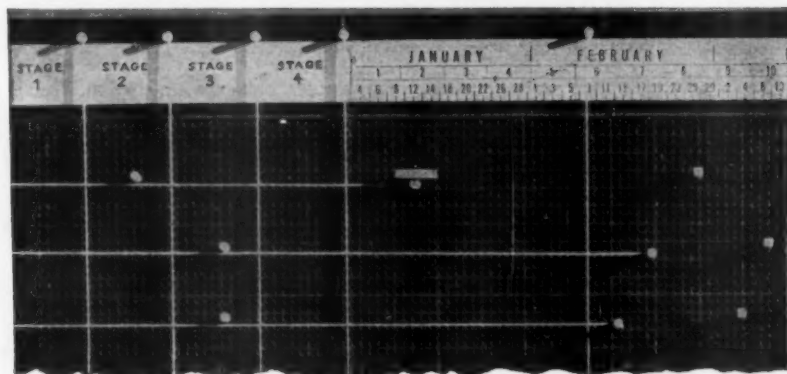
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total government outlays up rapidly.

In this situation, said Duesenberry, tax reduction is in order. But he thinks it perfectly possible that tax reductions would be too little and too late. The results, he said, would be a relatively low growth rate, with incomes sinking whenever private investment declined.

• **Policy Issue**—Consequently Duesenberry pointed up what may well become a major policy point in the debate over long-term U.S. growth: Is this a time when the expansion rate of the economy needs a boost from the government? If so, should the boost take the form of increasing government spending, or should it be done by cutting taxes and letting the private economy boost its own spending?

In the short run as well as the long, Duesenberry observed, deviations from the trend of government taxing or spending can be either stabilizing or destabilizing, depending on whether they offset or reinforce tendencies toward instability in the private economy. Many economists believe cuts in government spending gave the economy an important downward push in the 1953-54 and 1957-58 recessions.

• **No Perfect World**—"If fiscal policy were managed by men of perfect foresight and great courage," said Duesenberry, "government actions would always be stabilizing." But actual policy will be affected, he feels sure, by bad forecasting, human frailty, and objectives other than income stability.

One of the big reasons for uncertainty about policy on the government's side is the new character of inflation—with the change in the power of pressure groups, a rise in prices may or may not signify excess demand. This complicates the task of stabilizing income and prices at the same time.

International events — disarmament negotiations, trade competition that could hit hard on some sectors of the domestic economy, strains in the balance of payments—also cast their shadow over the economic policymaker.

• **No Great Depression**—Nevertheless, Duesenberry feels that wise fiscal policy could save the U.S. economy from serious peril. Unless government spending should decline very rapidly at the same time as private investment declines, and as long as reductions in government spending are offset by sufficiently large tax reductions, he concludes, "we cannot have a depression of anything like the magnitude of 1929."

What we have most to fear, he suggests, is a defense boom in which private investment jumps in response to rising income and prices—followed by a sharp cutback in government spending.

"We weathered a storm of that sort after the Korean War," Duesenberry noted, "but we had a good deal of luck in doing so." **END**

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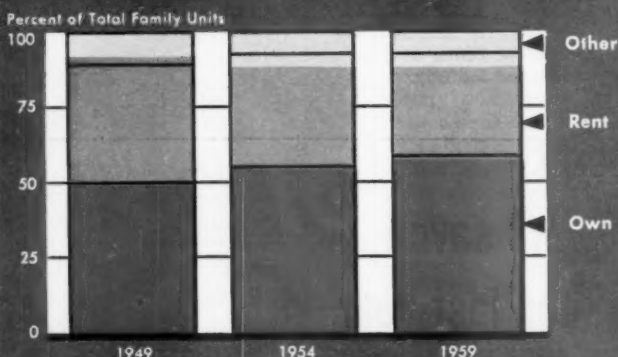
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CHARTS OF THE WEEK

Housing Status of Nonfarm Family Units



Data: Federal Reserve Board.

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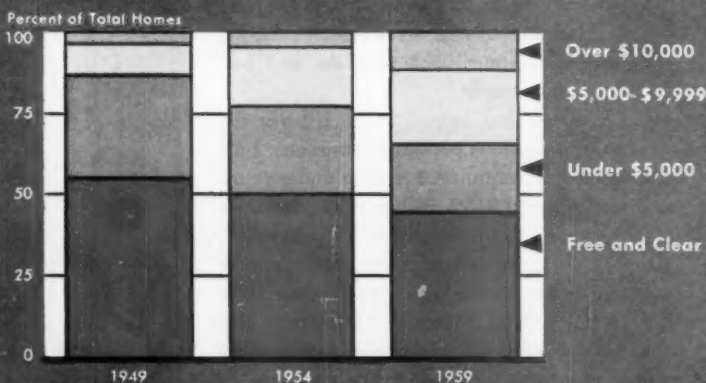
More Families Own Homes...

Almost six out of 10 American non-farm families (58%) own their own homes, according to a survey conducted early this year for the Federal Reserve Board. This is a marked rise over the 51% scored in 1949, and reflects several factors—rapid population growth; bigger family incomes; higher standards of living accompanied by demand for

more and better housing; and the availability of long-term mortgage money.

Frequency of home ownership increases with the age of the head of the family, but homeowners are getting younger, too. Last year, 42% of families whose breadwinners were between 25 and 34 owned their homes; in 1949, only 35% of this group were owners.

Mortgage Status of Nonfarm Owner-Occupied Houses



Data: Federal Reserve Board.

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Carry Bigger Mortgages...

Forty-four percent of today's non-farm owner-occupied homes have no mortgage debt, compared with 1949, when 55% were free and clear.

The increases in the number of homes mortgaged and in the amount

of debt outstanding are due almost entirely to the debt placed on houses built since 1949. About 85% of these used mortgage credit. The average ratio of mortgage debt to house value rose from 37% to 47% in the past

Planned Packaging moves merchandise

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For SIMMONS "room of tomorrow" it's Du Pont's "finish of

- Introduction of new kind of finish adds sales impact to Simmons line
- Change-over from conventional topcoat to "Lucite" Enamel accomplished without changes in finishing-line equipment
- Improved product appeal typifies benefits of working with Du Pont

In developing the new "room of tomorrow" furniture line for modern hotels and motels, the Simmons Co. placed particular emphasis on the finish. It had to have sales appeal as dynamic as the design of the room itself . . . yet production costs had to be low.

The answer was Du Pont "Lucite" Acrylic Enamel—a new lustrous finish formulated in a wide variety of decorator colors. Du Pont specialists helped Simmons convert from conventional enamel to "Lucite" without changes in costly finishing equipment.

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PRESSURE POTS containing "Lucite" Enamel are checked. Each hue sparkles in a diamond-clear "Lucite" base, a powerful sales look for this Simmons line!

***Du Pont Finishes Service Package*—FORMULATION, APPLICATION,**

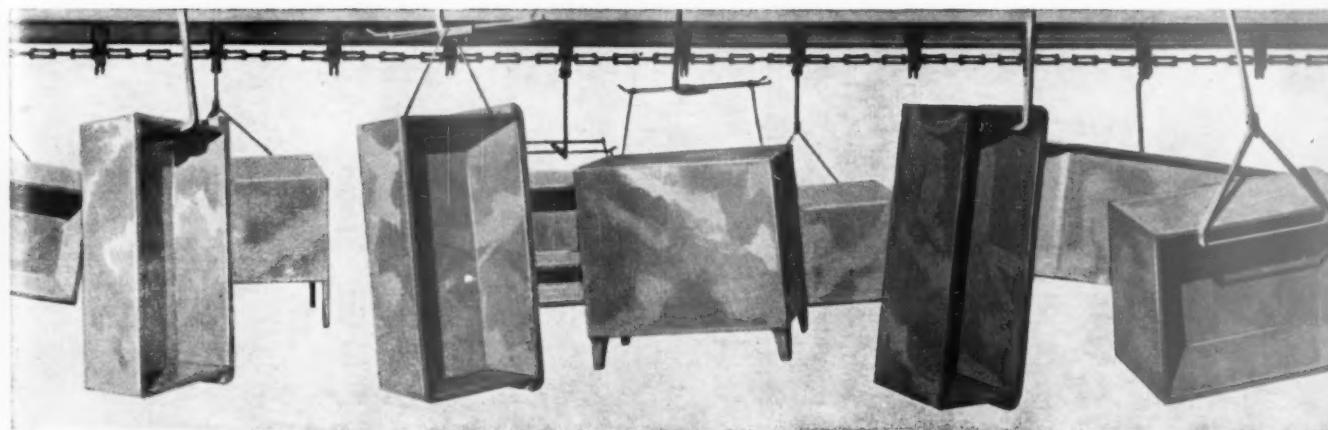


SPRAY OPERATION assures a uniform coating of "Lucite" Acrylic Enamel on the furniture passing through on the conveyor line. Du Pont specialists worked closely with Simmons personnel to convert this spray line to "Lucite" without changing finishing equipment. Result: minimum downtime, no changeover costs. Regular calls by Du Pont service men assure a continuing high level of efficiency.



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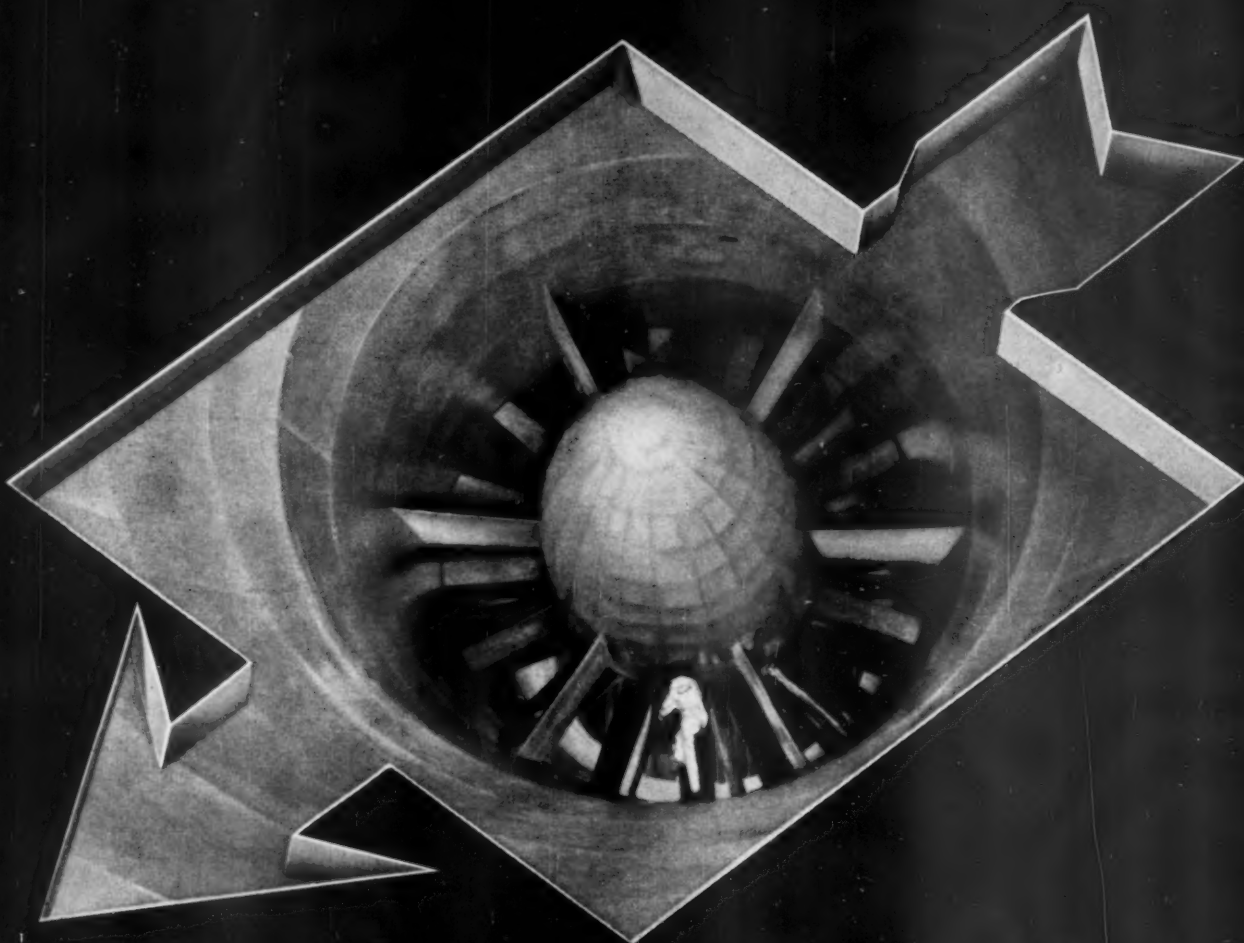
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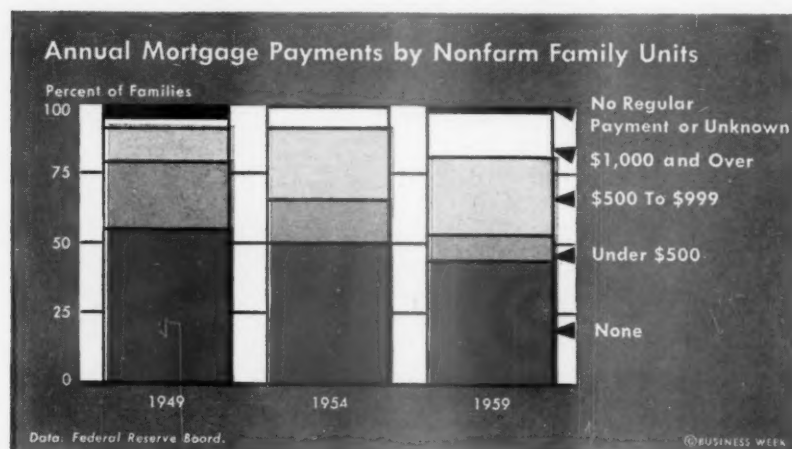


MAKERS OF FAMOUS CUSTOM-BLENDED BLUE SUNOCO GASOLINES

decade, indicating a willingness among homeowners to take on a larger load.

Among the 56% of homes that carry some mortgage, the average debt is

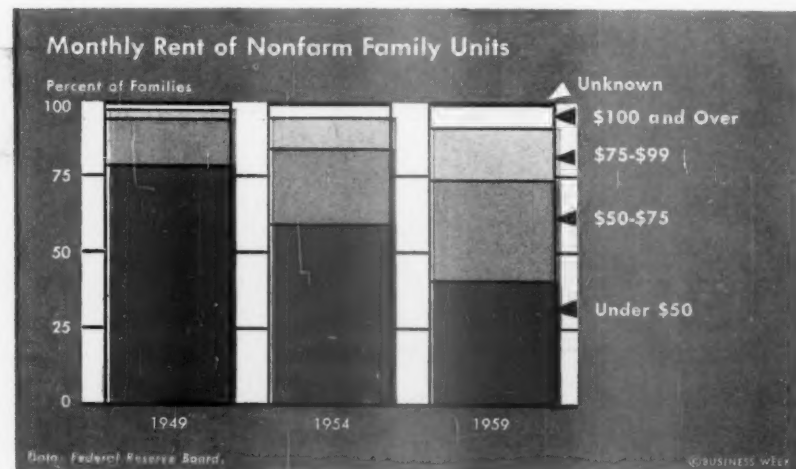
\$6,600. Twenty-two percent are under \$5,000, while another 22% carry between \$5,000 and \$9,999. The remaining 12% are mortgaged for \$10,000-up.



At a Higher Rate . . .

Higher mortgages mean higher payments, but the homeowners' ability to pay has increased as well. The FRB 1959 Survey of Consumer Finances reveals that in 1958, as in 1948, nonfarm mortgagors used about 12% of gross family income (median \$5,000 in 1958) to meet mortgage payments.

More than half of the 56% of total homeowners with some mortgage debt are paying at a rate of \$500 to \$999 annually (including amortization, interest, and in some cases, insurance). Another 17% pay \$1,000 or more per year; 10 years ago, only 3% of homeowners were in this high-payment group.



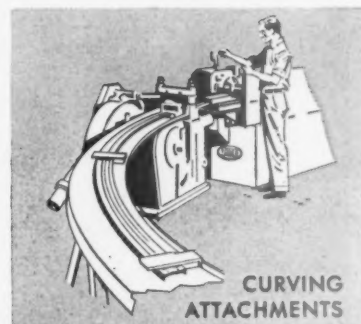
And Renters Are Upgrading

Four out of 10 home renters in early 1959 paid less than \$50 per month. Ten years ago, close to eight in 10 were in this payment group.

During the same 10 years, the consumer price index on rents rose more than 32%. But rent increases were not solely responsible for the shift: Higher

family incomes and raised standards-of-living moved many families into more expensive living quarters.

Among the 58% who paid \$50 or more, 33% were in the \$50-to-\$74 bracket; another 17% paid \$75 to \$99 a month. Those paying \$100-up multiplied from 2% in 1949 to 8% in 1959.



YODER COLD ROLL-FORMING EQUIPMENT

for profitable mass production

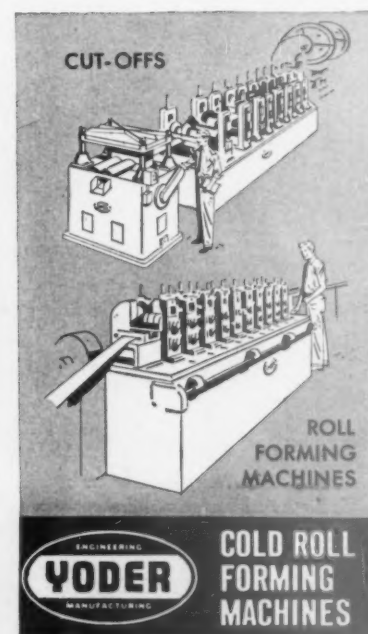
High speed, YODER Cold Roll-Forming machines are the most economical method for mass producing structural or ornamental shapes. One machine with one operator can form up to 40,000 feet of shapes per day. Even on a part-time basis, a YODER Cold Roll-Forming machine can prove to be a profitable investment.

YODER flexibility works for you too, curving, coiling, ring forming, multiple roll-forming and embossing—on a wide variety of metals—can be incorporated into your production line. Practical, YODER-engineered design minimizes maintenance and downtime... assures uniformity, accuracy and reliability of your end product.

In addition to Roll-Forming machinery, YODER also makes a full line of Rotary Slitting equipment, Pipe and Tube mills. Send for the fully descriptive Cold Roll-Forming Book.

THE YODER COMPANY

5530 Walworth Ave. • Cleveland 2, Ohio



REGIONS



BIGGEST EMPLOYER is Convair. Workers head home after shift at San Diego Div., making jet interceptors and transports.



CITY CENTER, in distance beyond Convair's general offices, has been losing retail business to fast-growing outlying district of San Diego.

SHOPPING CENTER, one of four new ones under way, is rising on this site in Mission Valley area under May Co. auspices.



City Seeks Insurance Against Defense Cuts

San Diego has ridden a boom in jobs and homebuilding thanks to military spending; now it wants diversity to keep its gains.

Every winter, when the Defense Dept. whips its budget into shape for the coming fiscal year, sunny San Diego shivers. The city owes its stature as one of the fastest growing metropolitan areas in the U.S. to the manufacture of weapons and the training of men for the armed services. And until the Pentagon fixes its spending plans, San Diego worries lest its growth be cut.

San Diego—located as far southwest in the U.S. as you can go without plunging into the Pacific or Mexico—was only 28th in population among metropolitan areas in the 1950 census (the 1960 count may move it up as many as 10 notches). Yet last year it ranked sixth in the nation in volume of residential construction (BW—Sept. 12'59, p180). This year it's scoring almost as high in total building

• **Transition Eased**—So far, San Diego

has been fortunate among defense centers. The transition from manned aircraft to unmanned missiles didn't hurt as much as in some cities because San Diego is involved in both. Sales of civilian planes are easing the shock for the aircraft industry—and giving it a degree of stability which helps it ride out the low spots.

But the high mortality rate of space weapons and vehicles disturbs some civic leaders. San Diego is currently profiting from volume production of the Atlas intercontinental ballistic missile. But, sooner or later, Atlas will be replaced by something newer. So, like other defense-dominated cities, San Diego wonders how to diversify its economy. At the moment, all its eight leading private manufacturing employers are either defense or defense-related industries.

I. Bustle Beside the Sea

Whatever the fate of San Diego's defense activities, the city will never again be what it once was—simply a serene surrounding, bathed in sunshine

NAVY, attracted by San Diego harbor and climate, was first important outside influence on local economy. It maintains dozen installations.





ELASTIC SEAL RINGS stop interstage leakage; improve efficiency of many Worthington multi-stage pumps.



CAM-OPERATED NOZZLE CONTROL VALVES—this quality arrangement is used on all Worthington multi-valve turbine generators.



UHF (ULTRA HIGH FLOW) IMPELLERS make Worthington vertical turbine pumps significantly more efficient than ordinary pumps, saving users many dollars in power costs.



TWO SCREW DESIGN is a superior method for locking sheave hub to shaft. This extra value is found in every Worthington multi-V-drive.

HOW TO SAVE MONEY

8 examples of how
Worthington takes a
not-always-popular
approach to reducing
your operating costs

The cheapest machine to buy isn't always the cheapest machine to own. That's why Worthington has a policy: *build extra practical value into every product.*

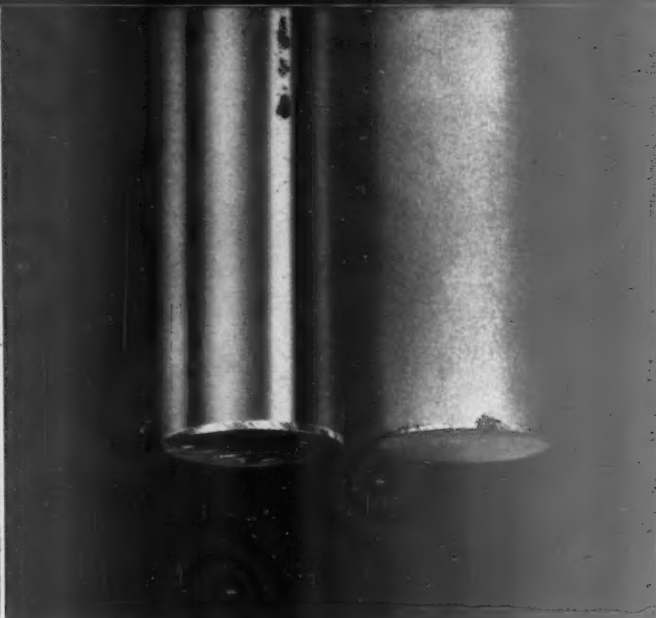
Not every seller—or for that matter, every buyer—agrees with this policy. For many, the watchword is “lowest possible price!” And for some products, perhaps they are right.

\$1.00 for New Equipment; \$1.15 for Maintenance—But *power* products are the muscles of industry. They either perform—or a machine, a production line, or a plant is shut down. To keep production lines running, industry spends 14 billion dollars every year on maintenance and repair. Consider this sobering fact: for every dollar industry spends for new equipment, it also spends \$1.15 for maintenance.

To keep these staggering costs to a minimum is the reason Worthington builds extra



FEATHER* VALVES—the fastest, quietest, most durable valves are standard equipment on Worthington compressors.



WORTHITE* (left), a more corrosion-resistant material than the stainless steel normally used (right), is Worthington's successful answer to a major problem in pumping chemicals.



WELDED CONDENSER TUBES were pioneered by Worthington. This development promises to greatly increase condenser reliability.



OVER/UNDER DESIGN is used in most Worthington portable compressors. Putting the second stage under the first makes a more compact, reliable compressor unit.

BY SPENDING IT!....

value into its products. How do we do this? Very simply. By investing extra dollars in better design, more modern machinery, more highly skilled employees.

\$5 Million for Research—Last year alone, Worthington spent five million dollars in research and development. This money buys greater reliability, higher efficiency, longer life. It also purchases additional peace of mind for plant operators who depend on Worthington products for 24-hour-a-day, 7-day-a-week, 365-day-a-year performance.

Worthington people—12,000 strong—take a full measure of pride in their company and the products it sells. They are aware of their responsibility for the "extra value" delivered with every product bearing the Worthington trademark. Worthington Corporation, Harrison, N. J. In Canada: Worthington (Canada) Ltd., Brantford, Ont. *Reg. T M 109-23





PLAZA in downtown center has been unchanged for years. Merchants only recently began reacting to trend toward suburbs.

and sea breezes, to which Eastern millionaires and naval officers retired and countless others, including Los Angelenos from 125 miles north, came for a vacation. La Jolla and Coronado—parts of the city that cling jealously to their own identities—still attract many moneyed tourists and retired families to their golden shores. But hot and cold wars have completely changed San Diego as a whole.

The first intruder was the U.S. Navy, which selected San Diego for the training of sailors in the 1920s—almost 400 years after the Spanish navigator, Juan Rodriguez Cabrillo, discovered the city's beautiful natural harbor. There had been flurries of activity before the Navy's arrival, but all were short-lived. The first land boom was ended by the panic of 1873. Another started with the coming of the Santa Fe RR in 1884. But by 1900 the population was still only 18,000.

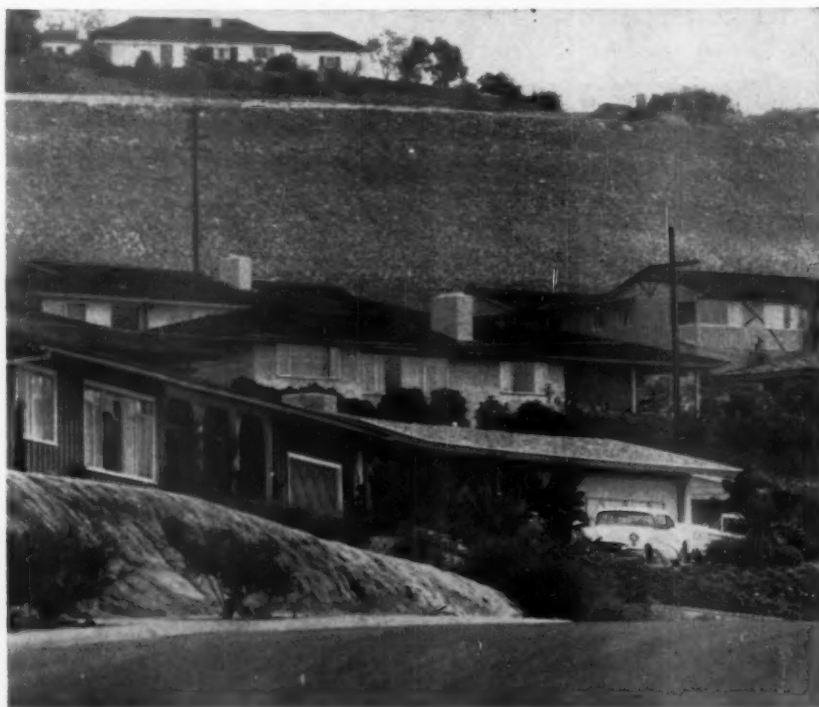
• **Sailors and Seaplanes**—When the Navy came, it ultimately brought along a dozen installations—district headquarters, supply depot, training station, and so on—and the boom pushed population to 148,000 by 1930.

The Depression caused some setbacks, of course, but in 1935 the city's

second important economic stimulant fell into its lap. Maj. Reuben H. Fleet was induced by San Diego's harbor and climate to move his Consolidated Aircraft Corp. from Buffalo. He felt that production of seaplanes for the Navy could be increased in the milder weather. Today, his company's successor—the Convair Div. of General Dynamics Corp.—is San Diego's biggest employer by far.

• **Peaks and Valleys**—World War II electrified San Diego. Convair's payroll jumped from 2,312 in 1939 to 12,838 in 1940 as it began making B-24 bombers and big flying boats. Employment at Convair reached a peak of 44,359 in 1942, with the U.S. in the war. And from Pearl Harbor to V-J Day, the Navy trained 419,255 men in San Diego, the Marine Recruit Depot another 225,000.

The city's fortunes turned even before the Japanese surrender. Until 1950 and Korea, it was on the list of areas with a critical labor surplus. The Korean War, with Convair back in the weapons business and more thousands of sailors and marines in training, brought new prosperity. The trend has been upward ever since except for interruptions by the last two recessions. Cold war demand for Convair's F-102



HOUSING BOOM put San Diego in sixth place in U.S. homebuilding last year, though suitable land is at a premium. These residences are in the plush La Jolla area, a popular resort.

WATER SPORTS are available in San Diego harbor, Pacific Ocean, or Mission Bay. Surge of interest in boating has crowded San Diego Yacht Club's marina.





TIJUANA, just across Mexican border, provides lively Latin American entertainment for visitors.

BALBOA PARK offers soothing acres of scenes for Sunday painters, plus theater and zoo.



4000-pound car hits fence at 35 miles per hour...



USS Cyclone Steel Fence "gives" ...does not break or fall!

This section of USS Cyclone Steel Fence was set up specially for this test and erected in the usual manner. When the fence was struck by the speeding car, the fabric gave, stretched slightly, but did not break! The car was stopped!

This is positive proof that USS Cyclone Steel Fence will give you good, safe service! There is no sub-

stitute for steel to provide effective fence protection.

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and F-106 jet interceptors kept its employment around 23,000 until the Atlas missile and the Convair civilian jets pushed it up to the present more than 38,000.

II. Downtown's Awakening

San Diego has always been somewhat in the shadow of Los Angeles, its vastly larger neighbor to the north. In the last 10 years or so, Los Angeles' own boom (BW—May 18 '57, p172) has drawn attention from San Diego's dynamism. But San Diego has been expanding physically in much the same way—by spilling out into its county. Originally, it was concentrated around the harbor. It is also beginning to feel one of Los Angeles' keenest problems: the need to bring water from afar. For years, San Diego had ample supplies nearby, but now it has to tap some of the same distant sources as Los Angeles.

The reason for San Diego's physical expansion, of course, has mainly been the multiplication of jobs in aircraft and kindred industries. But these jobs have created numerous other opportunities in trade and services—and the need for homes to house the workers and their families. Ever since the Korean War, homebuilding has been in a boom; the only check is the scarcity of good land, according to realtor Clair W. Burgener, whose firm represents 50 of the city's most active builders. San Diego abounds in canyons, hills, and gullies. This puts a premium on mesa land, and an acre that brought \$250 to \$600 in 1950 might sell for \$6,000 to \$8,000 today.

• **Places to Buy**—At least four shopping centers are on the way to service the burgeoning population. Work is already progressing on a \$25-million May Co. center in Mission Valley and a \$14-million unit in College Grove. Early next year, Broadway-Hale Stores, Inc., of Los Angeles will start a \$15-million layout in Chula Vista. And a fourth group is completing financing for a center at Grossmont, about 15 miles from downtown.

The conservative downtown merchants have recently been mobilizing to defend themselves against the accelerating move to shopping centers. The trend began in 1948, when parking problems impelled Sears, Roebuck & Co. to move out to roomier regions.

• **Retaliation**—Downtown didn't begin fighting back until this year, when the May Co. launched its shopping center only a few minutes by freeway from the city's heart. San Diegans, Inc., was formed to develop plans for the central business district and tie them into the city's master plan.

Results are already beginning to show. Ten merchants have joined forces to build a 400-car garage (the Bank of



Paul Radkai

MANAGEMENT DECIDES . . . ON CHAMPION PAPERS

Clear-cut decisions require clear-cut information from many sources. Well-informed men on whose shoulders important decisions rest get many of their facts from reports, specifications and proceedings processed on Champion bond and mimeograph papers. These performance-proved papers provide copies that are easy to read, line drawings and halftones that are sharp and clear. The decision to use Champion papers is wise any time, for there is one specifically suited to every fine paper need.



THE CHAMPION PAPER AND FIBRE COMPANY
GENERAL OFFICE: HAMILTON, OHIO • SALES OFFICES AND DISTRIBUTORS IN MAJOR CITIES

CHAMPION SETS THE PACE IN PAPERMAKING

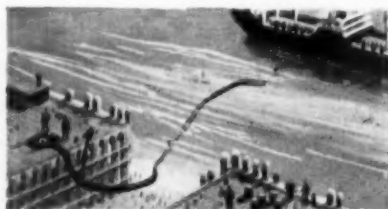


They're going to great lengths

Fueling the needs of thirsty tanks and trucks calls for a constant cross-country flow. The ingenious answer was a hose line, laid from moving trucks. But the miles of line had bulky couplings every 50 feet that took up too much truck room, continually tangled the hose, frequently snagged on the tail gate.

Cutting out the couplings seemed the only solution. But no one made the required 4-inch lines in longer than 50-foot sections. And when one hose-maker tried a spliced construction it failed in early field test. Then they handed the problem to the G.T.M.—Goodyear Technical Man.

An unloading system without pier is far more economical and practical with new Marathon Hose bringing in the oil from super-tankers too large to dock at ordinary facilities.



Feeding the fuel to a jet is simplified with the new long-length Marathon Hose, highly resistant to high-powered, aromatic jet fuels.

HOSES FOR ALL INDUSTRY BY

GOOD



GOODYEAR INDUSTRIAL PRODUCTS



-Specified

Marathon Hose for long-length fuel lines



A Tough inside tube of highly oil-resistant rubber

B Reinforcing jacket of husky, 2-ply, 3-T tire cord to handle up to 150 psi working pressures

C Long-lived oil-, abrasion-, weather- and sun-resisting cover—static banded

ns to fuel our fighting forces

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M.—

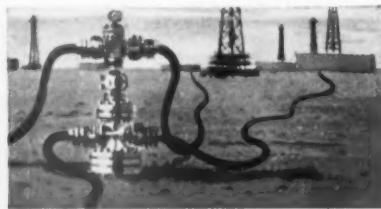
The problem was solved when the G.T.M. and his colleagues came up with the first machine-made long-length hose ever produced in large diameters. Free of all couplings, it takes much less truck space and lays out twice as fast! Called "Marathon," it can be produced in virtually any length, in diameters from 2

to 8 inches—either floating or sinking type.

There's no end to the possibilities of this new long-length hose. Why not find out whether it can solve your supply line problems. Contact the G.T.M. through your Goodyear Distributor. Or write: Goodyear, Industrial Products Division, Akron 16, Ohio.

l to a jet
n the new
Marathon
sistant to
aromatic

Economical new way to dispose of disposal problems is via long lines of Marathon Hose that can be laid directly from reels like cables.

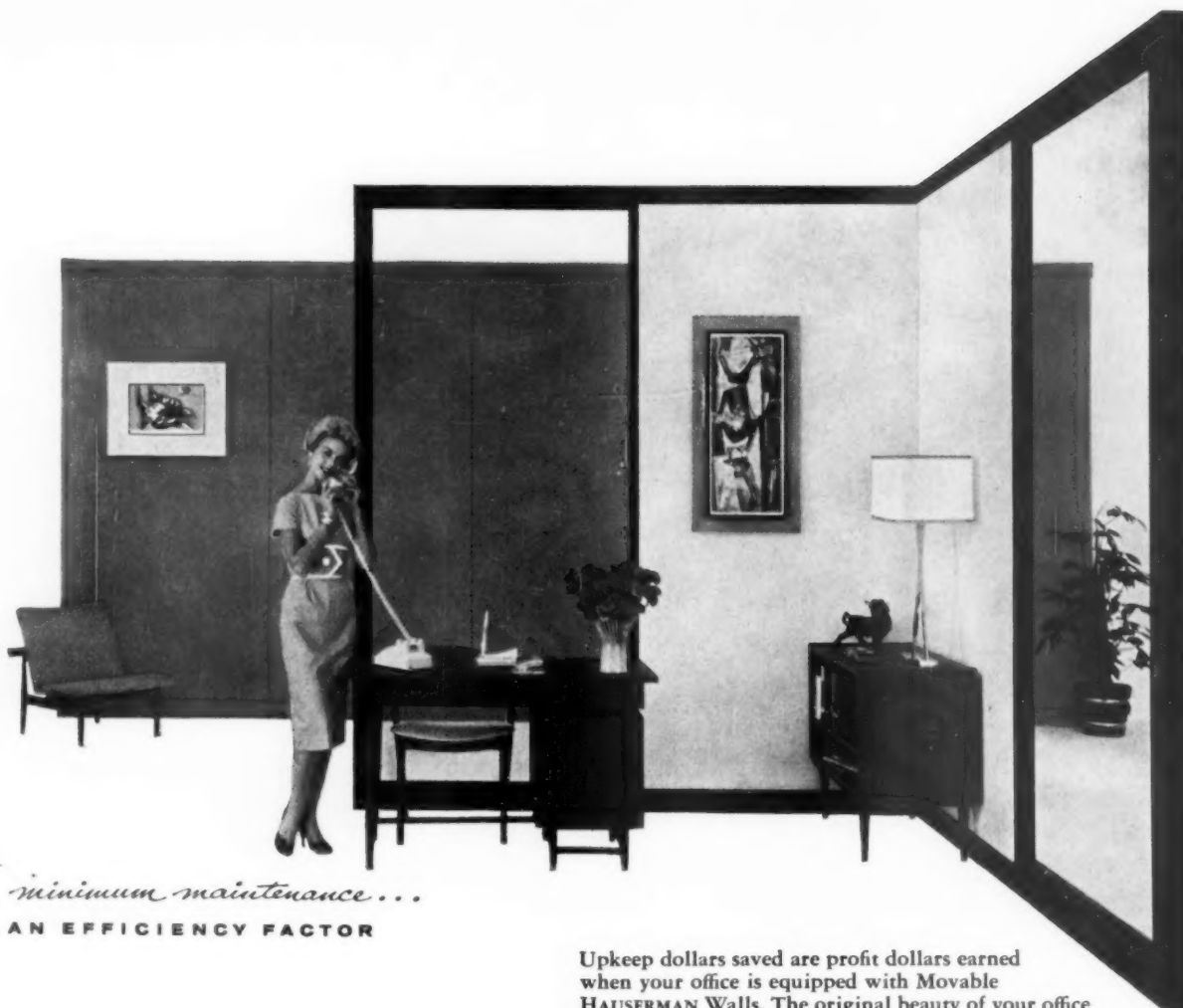


Taming a gusher is faster—and less costly—when new oil-resistant, long-length Marathon feeds the oil from well to storage tank.

GOODYEAR

THE GREATEST NAME IN RUBBER

Marathon—T.M. The Goodyear Tire & Rubber Company, Akron, Ohio



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AN EFFICIENCY FACTOR

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 with HAUSERMAN Walls
 makes the beautiful
 practical, too**



Upkeep dollars saved are profit dollars earned when your office is equipped with Movable HAUSERMAN Walls. The original beauty of your office is maintained without the constantly recurring cost of expensive repainting. Periodic soap-and-water washing keeps the baked-enamel finish looking like new.

You save again when it becomes necessary to change electrical wiring and telephone lines. Wires and lines are easy to get at, and there are no costly interruptions of your office routine. The job is finished in minutes — really finished with no need for repainting or patching plaster.

You'll receive other day-to-day benefits from minimum-maintenance HAUSERMAN Walls, too. For instance, when large office equipment or furniture must be moved, it's a simple matter to take out an entire wall section. It replaces easily, restores the original fine appearance without additional repair work.

Ask your nearby HAUSERMAN representative about minimum maintenance and the other HAUSERMAN efficiency factors... *movability unlimited and business environment.* Look in the Yellow Pages under "Partitions." Or write to:

THE E. F. HAUSERMAN COMPANY
 7398 Grant Avenue, Cleveland 5, Ohio
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MOVABLE HAUSERMAN INTERIOR WALLS

If it's new... you'll find it first in Hauserman



JEWELER Joseph E. Jessop is an organizer of new group to revive the downtown area.

America is erecting another). Under 49-year-old Pres. Arthur H. Marston, Marston's, a specialty store traditionally catering to the carriage trade, will open its first branch in the proposed Grossmont shopping center and put up an addition to its downtown building, with several floors of parking space, to permit expansion into a full-line department store.

"All of a sudden, and 10 years late, we decided to develop downtown," says jeweler Joseph E. Jessop, an organizer of San Diegans, Inc. "Business was good, and we all sat around enjoying it." Marston and Jessop are part of the group of downtown San Diego leaders that also includes George A. Scott, president of the Walker-Scott store; Guilford H. Whitney, chairman of Whitney's, and realtor Ewart H. Goodwin.

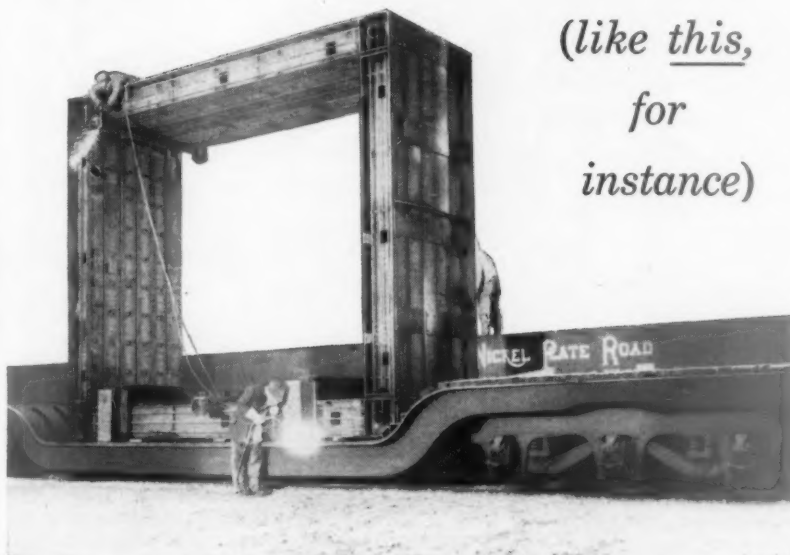
Other signs of vitality are the plans for the first three major new office buildings since 1928, 15 to 22 stories high. One will be constructed by C. Arnholt Smith, a local tycoon with majority stockholdings in National Steel & Shipbuilding Corp., National Marine Terminal, Inc. (tuna fishing), and Westgate California Corp., a holding company interested in the United States National Bank of San Diego, tuna canning, the San Diego Padres baseball club and park, and real estate.

• **Outside Money**—Classically, there's a shortage of risk capital inside a growth area but a ready supply from outside investors. San Diego is no exception. Even Smith is thinking of selling to "aliens." Last month, he announced an impending merger of his National Steel & Shipbuilding with Westgate California, preliminary to a tentative plan for selling most of their assets to a syndicate headed by the Henry J. Kaiser Co. (Other members: Morrison-Knudsen Co., Inc., Macco Corp., and

THE RAILROAD THAT RUNS BY THE CUSTOMER'S CLOCK...

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(like this,
for
instance)

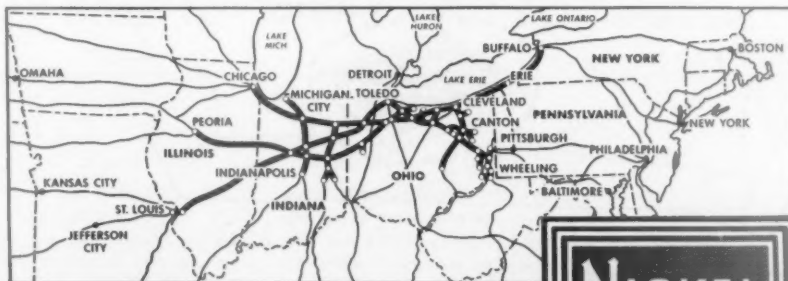


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High, Wide and Handsome, and it's our "Baby" to care for—from The Austin Company plant in Cleveland to its place of delivery. So is every shipment, whether large or small, that is entrusted to the Nickel Plate for transportation. Our objective, which we accept as our everyday responsibility, is to better serve the transportation requirements of American industry.

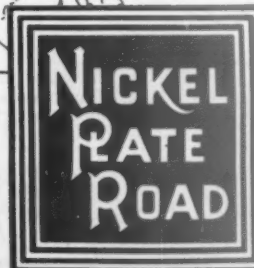
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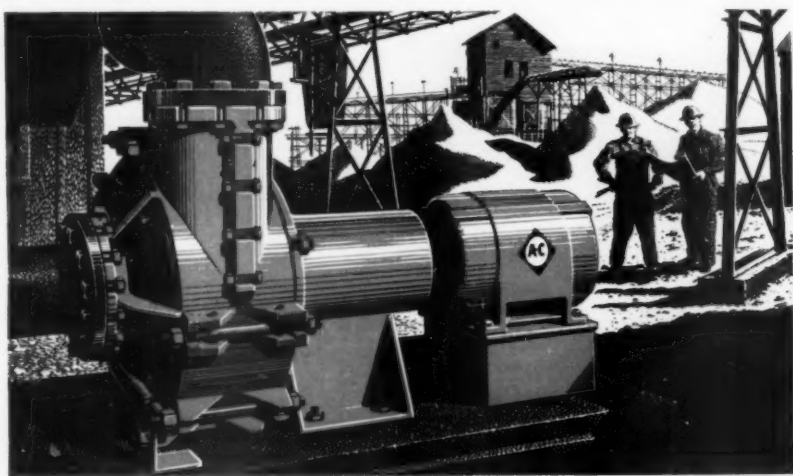
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This Allis-Chalmers rubber-lined pump replaced stacker and conveyor . . . handled 2,000 tons of abrasive sand a day with only one minor repair part in a year. Allis-Chalmers, Milwaukee 1, Wisconsin

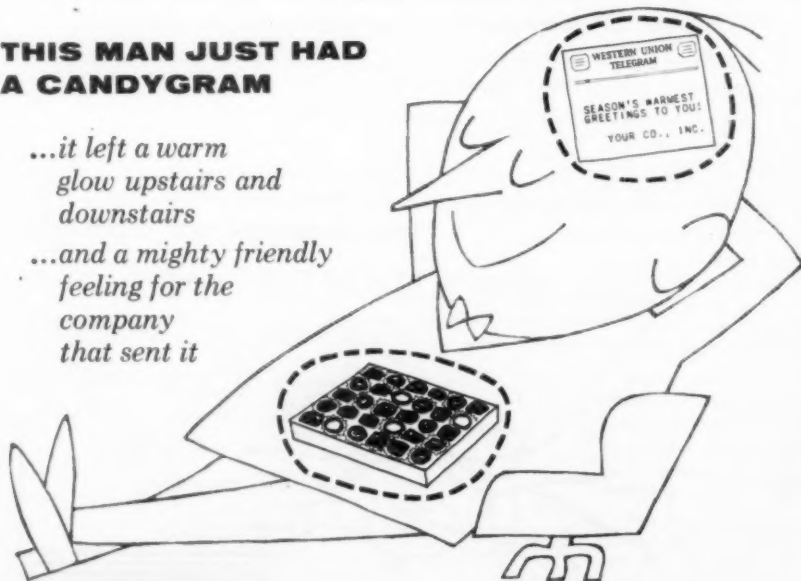
ALLIS-CHALMERS

POWER FOR A GROWING WORLD



THIS MAN JUST HAD A CANDYGRAM

...it left a warm
glow upstairs and
downstairs
...and a mighty friendly
feeling for the
company
that sent it



CandyGram[®]

the world's sweetest message

Your personal telegram is actually the cover of a box of luxury chocolates, delivered by Western Union throughout the U.S. 2 lbs., \$5, 1 lb., \$2.95, plus cost of telegram. Just phone Western Union. And charge it, of course. CANDYGRAM, INC., 613 N. SACRAMENTO BLVD., CHICAGO 12

F. E. Young Construction Co.) Says Smith in explanation: "I am sure these companies will expand far more than we could with our more limited resources."

In retailing, much of the development has been by national concerns. Carnation and Foremost bought San Diego's two big local dairies. The Security-First National Bank of Los Angeles absorbed the Security Trust & Savings Bank of San Diego. In mortgages, says Pres. Anderson Borthwick of the First National Trust & Savings Bank of San Diego, "every insurance company in America is now active in San Diego."

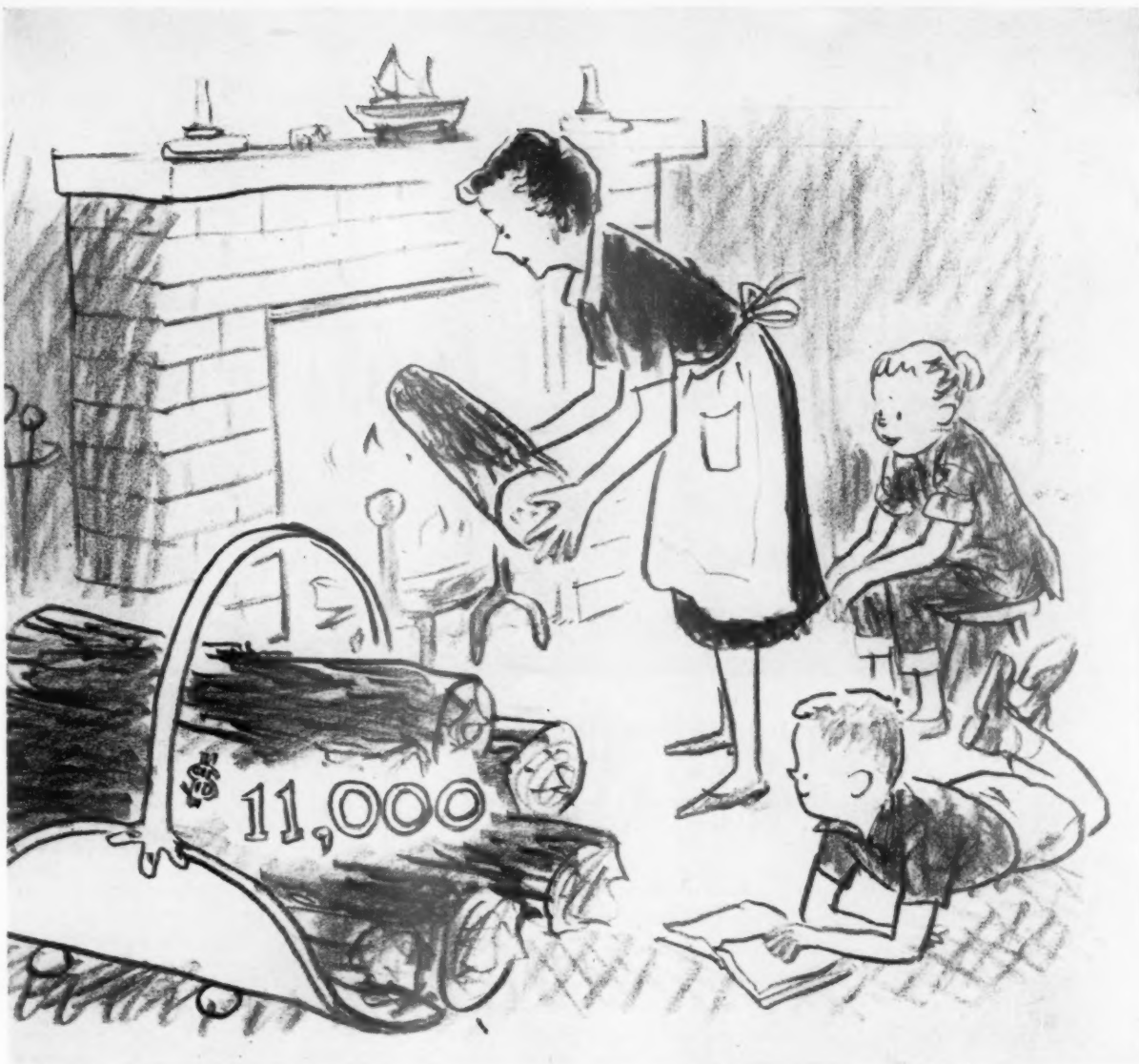
Until recently, the city's savings and loan associations were luring "millions" of dollars from all over the country with their 4½% interest rate—offered to attract money to finance the home-building boom. Now other California S&Ls have forced San Diego's back to 4½%—the rate commonly paid by other associations throughout the state.

• **Local Venture**—Of course, it's likely that San Diego, as it grows, will generate more of its own capital. Already a young San Diego financier, Charles E. Salik, has formed his own \$30-million open-end mutual fund, Electronics Investment Corp., to specialize in its namesake field. He has recently added Electronics Capital Corp., organized as a small business investment corporation to help new electronics outfits along by buying their convertible debentures.

III. Search for Diversity

San Diego's metropolitan area has grown by now to 1-million population, it is estimated, and the city itself has passed 500,000. These statistics please San Diegans, but they still worry over the role played by defense. The area's total manufacturing employment is 75,000 (out of 304,000 jobs), and some 58,000 of these are in aircraft or missiles: 38,000 at Convair, 10,700 at Rohr Aircraft Corp., 7,200 at Ryan Aeronautical Co., and 2,700 at Solar Aircraft Co. The other principal manufacturers are all defense-related (including one other aircraft concern): National Steel & Shipbuilding; Narmco Industries, Inc., which specializes in lightweight plastic structures; Electro Instruments, Inc., and California Aircraft Co. The Navy employs another 21,000 civilians, making it one of San Diego's biggest employers.

Needless to say, the crucial factor is Convair. Like any aircraft company these days, it faces an unclear future. At the San Diego Div., it is currently producing the F-106 Delta Dart interceptor, on a program scheduled to run into 1961, and the Convair 880 jet transport, with 85 orders now on the books. Because the 880 is faster than



How long can they keep the home fires burning?

The average insured family has \$11,000 worth of Life insurance. That seems to be a lot of money. It is.

But for the average family, \$11,000 is less than two years' income. And think how much of your pay today goes for food, clothes, schooling and rent or mortgage payments.

How about *your* family? Just how long could your wife and children make out if left with the protection you have provided for them?

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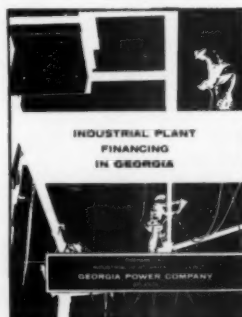
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KEY MAN in San Diego's future is J. V. Naish, president of crucial Convair.

its rivals, the company is confident of selling 200 in all. But after next year there will almost surely be fewer jobs in this division. Convair's Astronautics Div. has 14,000 men and women at work, chiefly on production of the Atlas ICBM, but employment might dwindle here, too, after 1962.

• **Diversification Plans**—Pres. J. V. Naish of General Dynamics' Convair Div. thinks San Diego could weather a layoff of several thousand of his workers. "San Diego was a pretty booming town five to ten years ago when Convair employed only 20,000," he says. But Convair is still a leader in the drive to attract new industries. Bernard F. Cogan, general manager of Convair's San Diego Div., is chairman of the county's industrial planning commission. To help the group, the city has blocked out several industrial districts on land it has owned since Mexican rule. Plots will be sold cheaply or even given away.

San Diego is also striving to increase its tourist trade—already worth \$144-million a year. Here, too, the city fathers are assisting by expanding recreation areas such as Mission Bay Aquatic Park. The city has also built a \$10-million terminal in San Diego harbor to lure more shipping.

• **Brainpower**—One shining inducement to industry is the pool of scientific and engineering brainpower already on the scene. Convair's Astronautics Div. lists about 6,000 engineers and technicians; the General Atomic Div. of General Dynamics has a staff of 750 technical people, 100 of them Ph.D.'s; the University of California's Scripps Institution of Oceanography in La Jolla is adding two new laboratories and fattening its payroll from 600 to 750. And the Navy has an electronics lab among its many facilities. **END**

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tells prospects where to find his local outlets. Local businessmen advertise in the Yellow Pages to tell their community where to find the products and services they offer.

You will find that a custom-created program of AWHERENESS for your business is easy and inexpensive to build. To get started, simply call the Yellow Pages man at your Bell telephone business office today.



The advertising medium that tells people where to find your local outlets!

MANAGEMENT



OMAR N. BRADLEY
Chairman of the Board

New Chain of Command at Bulova

**Bulova Research
& Development
Laboratories, Inc.**

**Bulova Watch
Company,
Canada, Ltd.**



HARRY B. HENSHEL
President

**Secretary
Sol E. Flick**

**Bulova Watch
Company of
Switzerland
Lore Sandoz
Executive VP**

**Turtle
Mountain
Division**



OPERATING COMMITTEE — Counterclockwise from right foreground: J. J. Carpenter, industrial and defense manufacturing general manager; D. Anderson, Providence manufacturing V-P; B. H. Natchez, controller; E. Hochman, consumer sales V-P; E. M. Patterson, industrial and defense sales V-P; S. E. Flick, secretary; R. H. Whidden, marketing V-P; A. Carnow, treasurer; W. O. Bennett, research, and engineering director; D. C. Stambaugh, Jackson Heights manufacturing V-P; J. V. Swartz, personnel and industrial relations director; T. Jeffery, advertising V-P (not present).

Successor to a One-Man Regime

"Fourteen men are doing the job that one used to do" is how a Bulova Watch Co. executive sums up changes in the company since Arde Bulova died last year. He was referring, of course,

to the organizational structure and not to individual work output of the top management.

Arde Bulova—son of the founder, Joseph Bulova—was one of the last

virtually one-man managements of a major U.S. company. And during his more than 20 years in the driver's seat, he built Bulova into one of the biggest U.S. watch makers with sales in 1958

You can get from Friden all the
automatic help any office needs—it's

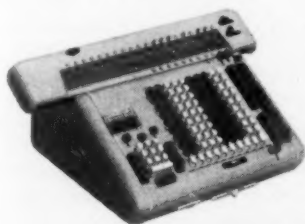
Building Blocks Automation

—the simplest, most practical way to install
automatic handling in your figure-work routines!

No one machine solves all office problems. But in the Friden family of automatic machines there's all the help you need—for billing-invoicing, payroll, mail room, sales analysis, statistics, sales order writing, inventory, automatic writing.

Start with one type of Friden machine... to solve your most immediate cost and personnel problem. Then invest the money saved in another Friden machine, and another and another.

Ask a Friden Man to check your procedures and prescribe the machine to start with. Or write about your problem to Friden, Inc., San Leandro, California. Friden sales, instruction and service are world-wide.



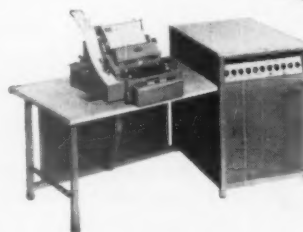
This is the Friden fully automatic Calculator, latest model (SBT) of *The Thinking Machine of American Business*. More figure-work steps without operator decisions than any other calculating machine.



...because

Friden

has the system



A complete billing department at a single desk, this is Model CTS Friden Computyper®. Produces invoices up to 90% automatically. Connects with other automation units.

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CALCULATING MACHINES, ADDING MACHINES, AUTOMATIC BILLING MACHINES, DATA PROCESSING MACHINES, AUTOMATIC WRITING MACHINES, MAILING EQUIPMENT

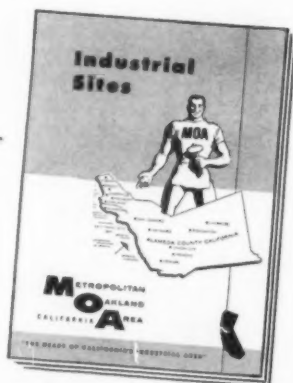
**BE
where the
BUYERS
are!**



**THE GROWING
WEST IS A
BUYING
WEST**

The place to **SELL** is where the **BUYERS** are. And here in the 11 Western states are 25,000,000 people with money to buy—12.3 percent more per capita income than the national average.

Centrally located, Metropolitan Oakland Area, on the Sunny Mainland side of the San Francisco Bay, is the logical point from which to sell and serve this great Western Market.



FREE!

This factual Industrial Site brochure tells why you can profit by locating in the Metropolitan Oakland Area. Clip this advertisement to your letterhead, type name of individual to be addressed and your copy will be sent to you at once—all inquiries strictly confidential.



Suite 408, 1320 Webster St., Oakland 12, California

ALAMEDA • ALBANY • BERKELEY
EMERYVILLE • FREMONT • HAYWARD
LIVERMORE • NEWARK • OAKLAND
PIEDMONT • PLEASANTON • SAN LEANDRO
UNION CITY • RURAL ALAMEDA COUNTY

Grow with the
growing giant of the West... **MOA!**



ARDE BULOVA'S OLD OFFICE gave a see-and-be-seen view of an office work area the size of a football field. The office has been turned into a conference room: Bradley and Henshel have conventional enclosed offices in other wings of the headquarters building.

reaching a total of over \$60-million.

When he died, however, it was apparent that the company management needed a massive reorganization. Increasing complexity of doing business and problems of Bulova's diversification program, then just starting to take hold, outmoded one-man rule, no matter how effective it might have been in the past. Besides, as Harry B. Henshel, Bulova president, says, "No one in the company was that good."

The 14 men are the major department heads who form Bulova's new Operating Committee (picture, page 104), the president, and the chairman of the board.

• **Revolutionary Changes**—The reorganization job in some ways was like a revolution. There's no doubt that some feelings were hurt. In a little more than a year, though, Bulova has adopted a streamlined organization pattern that would be the envy of many companies whose lines of authority have become tangled during years of accommodating individual whims and unexpected business developments.

What's more, the new management team is adopting business practices that have been standard in most companies for many years but were just never put into effect at Bulova. Here are some of the changes:

• A simple organization chart with clear-cut lines of authority and responsibility replaces an unwritten pattern set by tradition, word of mouth, and a conviction that the way to solve any problem, no matter how small, was to "take it to Arde."

• The company now has its first formal operating budget and next year

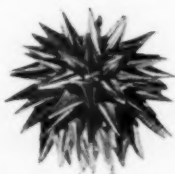
will have its first capital expenditures budget. To supervise these, the company created the post of controller, another innovation, and gave real authority to the company treasurer.

• The first real cost accounting program is under way. Henshel says that in the past the company "didn't know what anything cost." He proudly credits the cost data gathered so far as a major reason why the first three months of this fiscal year—starting Apr. 1—show profits up 51% although sales were up only slightly.

• **Personnel policy** for the company is being standardized and written down for the first time. Formerly, wages, working conditions, and benefits varied widely in each of the company's seven plants and even in different departments of Bulova's home office in Flushing, N. Y.

• **Steering Committee**—At the heart of the new organization is the Operating Committee. Each man on it now has full authority in his area and weekly meetings of the committee are chiefly a forum for thrashing out interdepartmental problems. Only the problems that require a higher-level decision are passed on to the president and then, if necessary, to the board of directors through the chairman, Gen. Omar Bradley.

Gen. Bradley, who became chairman in March, 1958, shortly after Arde Bulova died, is the key man in the sweeping changes at Bulova. He was no newcomer to the company but had been picked by Arde Bulova in 1954 to be chairman of the Bulova Research & Development Labs., Inc.—a wholly owned subsidiary. There is some evidence that



Even Christmas Shines Brighter —with **ALCOA ALUMINUM FOIL**

To the wonderland of Christmas, ALCOA® Aluminum adds enchantment—shapes a shining tree or garland . . . gilds the mat that saves your carpet . . . turns packages into promises of riches wrapped inside. That's why this fairyland foil has become part of Christmas in American homes.

And the same gleam that makes a small hand reach in wonder, makes her mother reach . . . and buy.

ALCOA does not make wrappings . . . or trappings. But ALCOA is a prime producer of aluminum foil, the amazing material that makes so many products look better and work better . . . makes sales figures shine.

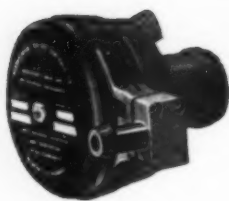
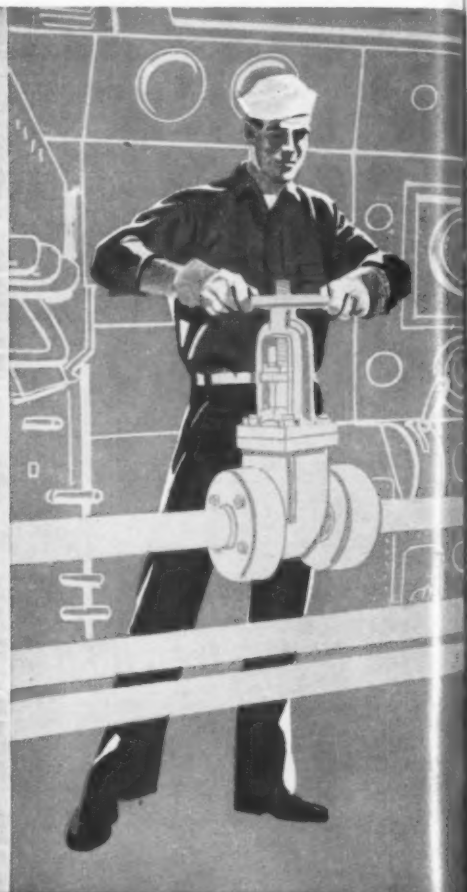
It forms, colors, twists, bends, combines with other materials, weaves into cloth, and does other surprising things almost beyond count.

Let us show you how foil can help in your design or manufacturing problems. For more information, write ALUMINUM COMPANY OF AMERICA, INDUSTRIAL FOIL DIVISION, 1670-L Alcoa Building, Pittsburgh 19, Pennsylvania.

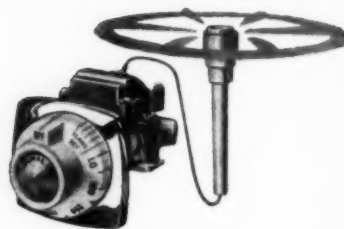
Look for this label . . .
it's your guide to the best
in aluminum value



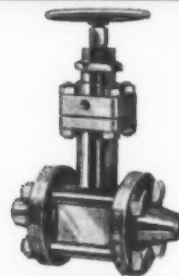
ROBERTSHAW automatic



Miniature oxygen breathing regulator for pilots' helmets.



New Thermal Eye® with Flame Set for The Burner with the Brain.



All stainless steel packless valve for nuclear submarines.

Acro Div., Columbus, Ohio / Aeronautical & Instrument Div., Anaheim, Calif. / Bridgeport Thermostat Div., Milford, Conn. / Fulton Syphon

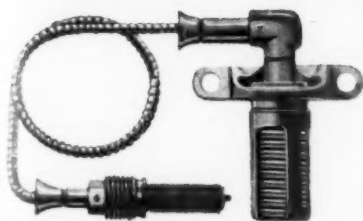
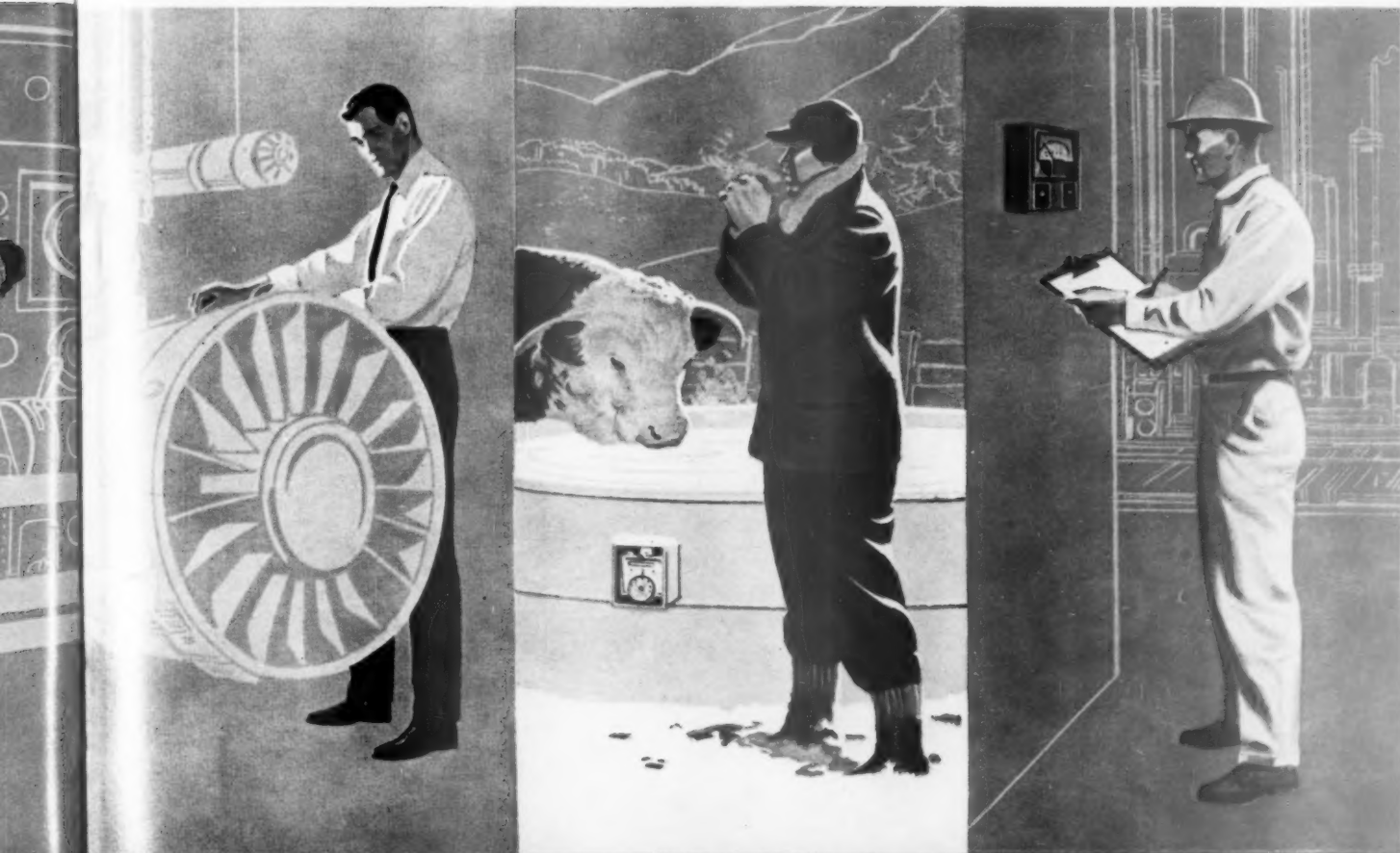
Robertshaw



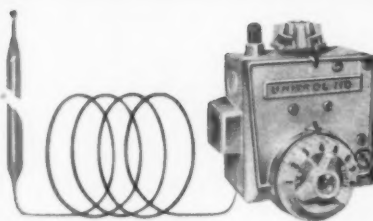
keeps

ROBERTSHAW-FULTON CONTROLS COMPANY • EXEC. OFFICES: RICHMOND 19, VA.

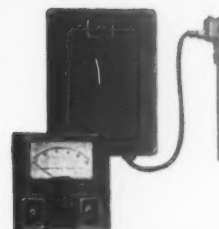
c controls at work everywhere



Metallic bellows fuel control assembly for jet aircraft engines.



Automatic water temperature control for livestock watering tanks.

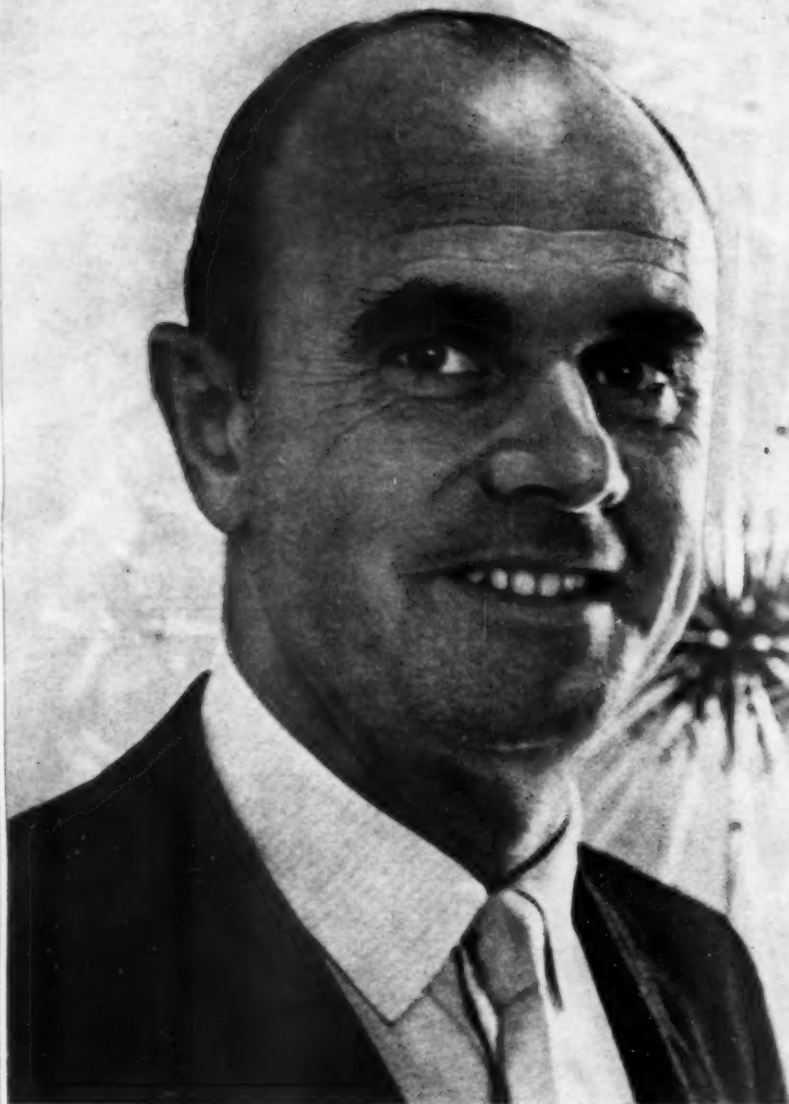


Level-Tel Indicator for monitoring level of stored fluids, grains, feeds, etc.

Div., Knoxville, Tenn. / Grayson Controls Div., Long Beach, Calif. / Indiana Div., Indiana, Pa. / Robertshaw Thermostat Div., Youngwood, Pa.

os **everything under control!**

SUBSIDIARIES AND/OR AFFILIATES IN CANADA, WESTERN GERMANY AND AUSTRALIA.



communication

"Communicating ideas is essential to sustain economic growth. One of the principal values of business publications is their role in this interchange of knowledge. Certainly we rely on advertising in leading business publications to inform our markets of our latest developments . . . to tell the people we serve about the progress of our organization."

Thomas M. Ware, President, International Minerals & Chemical Corp.

COMMUNICATION—Consistent advertising is the most economical means of communicating with important prospects. It supports the direct efforts of your sales staff . . . helps establish identity, brand preference and product familiarity as well as promote new

products. Today, more than one million key businessmen pay to read McGraw-Hill publications. Your advertising, *concentrated* in those McGraw-Hill publications serving your major markets, helps keep you in contact with the men you wish to reach.



McGraw-Hill

P U B L I C A T I O N S



McGRAW-HILL PUBLISHING COMPANY, INC., 330 WEST 42nd STREET, NEW YORK 36, N. Y.

Bulova, who had a good idea when he would die about two years beforehand, expected Bradley to take over. But Bradley disclaims any knowledge that his succession had been certain before the board voted it.

• **Bradley's Background**—Bradley's association with the Bulova watch company stretches back beyond his work in the research subsidiary. While he was head of the Veterans Administration in the late 1940s, he visited the Joseph Bulova School of Watchmaking, which had been set up during the war to teach disabled veterans a trade.

Besides this contact, Col. Harry D. Henshel, vice-chairman of the Bulova board and father of the current president, had been on Bradley's staff during his wartime command of the 12th Army Group in Europe.

In any case, Bradley brought his long experience as an administrator to the Bulova job. And while he readily admits that he doesn't know too much about watches or the watch industry, he knows how to build an organization.

• **Outside Study**—The first order of business was to bring in an outside management consulting firm—Progressive Management Corp.—to make a complete survey of the company's organization and responsibility and capabilities of all executive and technical manpower. They found a lot of talent, much of which wasn't being fully used.

It took about five months to get everything unraveled, take a precise inventory of experience and management skills, and write job descriptions for positions in the new organization structure. During the final phases of this work, the board of directors interviewed men for all the executive slots.

Finally, in the fall of 1958, the board approved the organization and filled all but one of the jobs with men already in the company. The one outside man hired to fill a place on the Operations Committee was Joseph Swartz, director of personnel and industrial relations.

• **Real Shuffle**—The fact that most of the personnel in the new setup had been with the company before the change doesn't take away from the fact that Bulova had had a major management face-lifting.

Some men who retained their old titles were finally given the responsibility and authority that went with the lettering on their doors. Some men who had important jobs but were getting little authority or recognition were boosted to a policymaking place on the Operating Committee.

For example, research and engineering had been lumped with manufacturing under one vice-president. Now the head of R&E is a vice-president, too.

• **Change of Heart**—Selection of people to fill slots in the new organization table was only the initial step in Brad-

ley's plan. There were still many outmoded attitudes and ways of doing things that had to be changed.

Many Bulova executives had to be weaned away from the old "ask Arde" psychology, now that they were expected to make most of the decisions in their own departments. This job fell to Gen. Bradley personally, and he feels that it was one of his biggest tasks.

"As a soldier," he says, "I've taught men to accept responsibility and I've helped quite a few here." And he adds: "If I do my job right, things will go as well without me as when I'm here."

• **Efficiency Drive**—Besides worrying about the ability of some of his executives to accept their unaccustomed responsibility, Bradley pushed a program to find out how efficiently each department was being run and how to improve its performance.

Most of this work is being done by a budgeting control committee made up of the controller, director of industrial relations, and the head of the department being examined. Each department gets looked at periodically, and problems that cannot be handled within the department are brought up at the next Operating Committee meeting.

• **Executive Pay**—A major problem of the reorganization was the crazy-quilt of salaries and bonuses in the company. So far, most salary rates have been adjusted to provide equal pay for similar work, and the company is working out a rational system of executive incentives to replace the old bonus system.

Yearly bonuses had been given out in a haphazard fashion for years. Once they were on the books, they usually remained there. In general, these bonuses have been incorporated into base salaries, and everyone will start from scratch when a new program goes into effect.

• **Change of Presidents**—Another big change in the company, one that was not a direct result of the reorganization, took place two months ago when John H. Ballard retired as president and was succeeded by Harry Henshel.

Ballard had been president for 24 years and was the company's marketing specialist for most of his 50 years with Bulova. He was also probably the only executive who had any real independence under Bulova. Shortly after retiring, Ballard resigned as a Bulova director, gave up his pension, and became chairman of the board of the rival Gruen Industries, Inc.

Henshel is young—41 years old—but he has worked for Bulova for about 20 years, with time out for WW II, college, and two years at Harvard Business School. When he became president, he was also named chief executive officer.

• **Change for Directors**—Although the reorganization is only a year old, many

TIME IS ELUSIVE

... it doesn't leave tracks

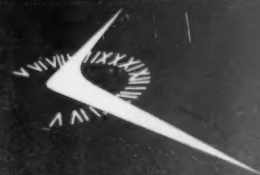
But keeping track of payroll time is vital to any business.

NEED TO—

- Modernize a present system?
- Add time or job cost equipment?
- Plan a new time control system?

if it's about time -call for

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Engineering • Sales • Service

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TIME RECORDER CO.

CINCINNATI 14, OHIO

"Since 1896"

REFER TO THE "YELLOW PAGES" FOR YOUR LOCAL REPRESENTATIVE

How to create an "EFFICIENCY MACHINE"...

When executives of the big Kroger Food Stores warehouse in Livonia, Michigan, need action or information, they need it *fast*.

A Stromberg-Carlson voice paging system (plus Dial-X® private telephone intercom) covers every square foot of the 11-acre warehouse, the largest of its kind in the world.

Executives can page directly through their Dial-X telephones, to contact any staff member instantly. And the Dial-X telephone system



*"There is nothing finer than
a Stromberg-Carlson"*

STROMBERG-CARLSON

changes that aren't obvious on charts are beginning to show up.

The first is the increased work load of the board of directors. It started, of course, with the approving of the organization chart and the screening of executives. Ever since then, the board has remained busy settling matters that used to be handled directly by Arde Bulova. One board member estimates monthly meetings, which used to take 20 minutes, may now take four hours.

The makeup of the board is also shifting. While a majority are still inside members—five out of nine—the board has been adding businessmen who are active in a wide range of companies. Among the new members are John L. Weinberg, partner in the investment house of Goldman, Sachs & Co.; R. Clyde Allen, former executive vice-president of Stewart Dougall & Associate, marketing consultants, and George M. Bunker, president and chairman of the Martin Co.

- **Diversifying**—The company is expanding its diversification program, which it started about eight years ago.

In addition to the electric razors and radios that it has been selling through jewelers for several years, Bulova is pushing a line of cigarette-package-size transistor radios made in Japan under supervision of Bulova engineers.

The company's major research effort is in a new type of altimeter—now being tested by the Air Force—and a group of other airplane instruments. Bulova is also doing sub-contractor work on several missile projects.

- **Marketing Plans**—In marketing, Bulova is pushing foreign sales—especially to Canada, South America, and Italy. But the almost 17,000 U.S. jewelers who are the backbone of the company's sales effort are also being wooed harder than ever before. Each of six top marketing executives, as well as Bradley and Henshel, are planning to see retailers face to face every four years. Every jeweler is to meet one of the group every six months.

Besides merely seeing the jewelers, Bulova's representatives will be giving them more new products to sell. In addition to the pocket radios, Bulova is putting out a line of stereo-phonograph equipment and expects to have its electronic watch on the market soon.

- **On With the New**—Bradley characterizes this plan to see all the dealers as symptomatic of the company's new marketing drive.

In addition to all the changes that have taken place, Bradley is working to give the management of Bulova an aggressive spirit.

"We can do precision and miniaturization work better than anyone else," he says as an example, "and if we let everyone know it, there's no telling where this company can go." **END**

... with Stromberg-Carlson communications

... gives them fast, private intercom among themselves.

The Kroger warehouse is a huge "efficiency machine." Communication makes the difference.

Whatever the nature of your business, there's a Stromberg-Carlson paging, intercom, background music or P. A. system to help boost your business efficiency. Find your local Stromberg-Carlson distributor in the Yellow Pages under "Sound Systems" or write to Special Products Division, 1412 North Goodman Street, Rochester 3, N. Y.



Fast communication is a must in the Kroger Food Stores warehouse, which has 11 acres of floor space. Sound installation by Michigan Music Co., 15900 Hamilton Avenue, Detroit, Michigan.

A DIVISION OF

GENERAL DYNAMICS



Before you buy, see and try Smith-Corona's
new Secretarial, the only office typewriter
with lighter, livelier, ACCELERATOR ACTION!

Call your local Smith-Corona
representative today!

SMITH-CORONA

In Management

• • •

Goals Reflect Company Characteristics Rather Than Image of Its Management

The goals that top management sets for the company it runs are determined by the characteristics of the company, not by the characteristics of the management, a Wayne State University psychologist concludes after interviewing the chief executives or their deputies in 145 business establishments.

The study, made by James K. Dent for the University of Michigan, does not support the frequently voiced theory that hired managers show less interest in profits than do managers who own their own businesses. Dent found no differences between the goals of professional managers and those of owner-managers. Both groups put profits first, then stressed public service (in the form of good products), employee welfare, and growth, in that order.

However, Dent reports in the current issue of *Personnel Psychology*, he did find that management goals are influenced by the nature of the company. The chief influences are the size of the company, whether it is unionized, and the type of workers making up the bulk of its work force.

Profits are equally popular with large and small companies. But good products are more often stressed by larger companies than by smaller ones. Large unionized companies are more interested in employee welfare than small unionized companies. However, among non-union companies, the small ones are more concerned about their workers than are the large ones.

Managers of companies whose workers are mostly bluecollar are more profit-minded than managers of companies with a lot of whitecollar employees. Executives of white-collar companies are more likely to emphasize growth, possibly in response to the employees' desire for promotion. According to Dent, all this suggests that management goals are conditioned more by the "cultural milieu" of the entire business than by the backgrounds of the managers themselves.

• • •

Executives Frown on Business Spying, But Not Hiring of Competitors' Aides

Business espionage, though a colorful subject for popular magazines, is an insignificant and frowned-on practice in the business community as a whole. That is the conclusion reached by the Harvard Business Review after a survey of 1,558 executives and investigators.

The magazine found that spying and other undercover methods of getting competitive information are much less prevalent in industry than earlier, less extensive, studies might suggest. Last spring, for example, a group of Harvard Business School students surveyed

some 200 companies; 27% of the replies said that undercover information collecting had recently been discovered in their industry.

In contrast, more than 97% of the executives queried by HBR felt their companies got little or no competitive information by undercover methods, and less than 8% of them had actually observed any spying by or against their companies. Most of the spying reported to HBR by professional investigators was in the course of legal investigations for patent infringements, lawsuits, and theft.

However, the HBR survey did bring out some ethical sore spots. More than 12% of the executives felt their companies got at least some information by hiring competitors' employees. A majority condoned this practice, and a large number said they would use it. Furthermore, most of the executives were willing to consider job offers from competitors, and more than three-quarters said they would give information to a new employer if they were asked for it. Only about 5% said they would volunteer information.

More than a fifth of the executives reported that their companies had hired key employees from competitors in the past year. Generally, however, men were hired for their ability, and not for any of the competitors' secrets, they said.

Young executives were much more willing than older ones to approve information-gathering methods whose ethics are questionable, such as luring away key employees, wining and dining competitors, and posing as a customer. This could mean, HBR suggests, that industry spying will increase in the future.

• • •

Workers Who Are Poor Credit Risks Are More Accident Prone, Study Shows

There is more than one reason for not hiring employees who are poor credit risks. They also may be accident prone, D. L. Young, training supervisor at Joseph T. Ryerson & Son, Inc., reports in *Personnel Journal*.

Ryerson compared the credit and accident records of all the hourly paid workers at its Chicago plant for 18 months. Employees who had credit difficulties (represented by wage assignments, garnishments, and tax levies) had over 50% more accidents than employees with clean credit records during the period.

Ryerson also found more accidents among relatively well educated manual workers than among those with less education. Over-education for the job, Young suggests, may make employees bored or frustrated—and hence accident prone.

• • •

New U. S. Steel Head Fills an Old Post

The appointment last week of Leslie B. Worthington as president of United States Steel Corp. (BW-Nov. 14 '59, p. 56) left vacant the presidency of the corporation's Columbia-Geneva Steel Div. in San Francisco. This week Worthington named J. D. McCall, who has been the division's vice president-operations since 1957, to the post.



Look who burned his finger ...at a backyard barbecue



If a Bethlehem steelworker is injured, it happens at home more often than in the steel plant. As a matter of record, he's many times safer on the job than he is at home.

For example, in a recent 12-month period the 20,000 men normally employed at our Bethlehem, Pa., plant sustained a total of 152 disabling accidents at home or on the highways. During the same period these employees had only 19 lost-time accidents at work in the plant. In other words,

exactly 8 such accidents *outside* the plant for every one that occurred while at work.

For every one of the past 17 years a Bethlehem plant has won first place in the National Safety Council's annual contest among the nation's 20 largest steel plants.

It is heartening to know that in America the advances in steel technology have been more than matched by the accomplishments in the field of human safety.

BETHLEHEM STEEL



Admen Face the TV Issue

● ANA wades head-on into question of advertising's involvement in TV trouble, calls for "setting house in order."

● But admen find little agreement on how to do this, and see no great changes planned in their TV practices.

● Ahead, though, looms booming market of 1960s—with steel strike effects another hurdle before reaching it.

Company advertising men—assembled at the Assn. of National Advertisers' annual convention at Hot Springs, Va., last week—had good reason to look ahead with satisfaction into the often predicted "glorious market of the Sixties," and the place opening up for them in it.

They greeted with enthusiastic applause the prospect held out to them—of a doubling of advertising expenditures in the next decade, from \$11-billion to \$22-billion, as their efforts become more and more essential to realizing the full potential of that glorious market.

But, standing on the threshold of the Sixties, the admen found some stumbling blocks through which they would have to pick their way carefully before they could get into that beckoning era. In this closer-up view, two things especially worried them:

- **Troubles over TV.** The admen met in an atmosphere clouded by recent testimony that implicated some sponsors as abetting quiz show fixes. They were concerned, also, over what would come from the government's announced intention to probe into charges of deceptive commercials and payoffs for plugging products on the air.

- **The steel strike slowdown.** Ad executives of many companies, whose end products contain steel, puzzled over how to handle advertising on items in short supply. Even representatives of companies not directly affected pondered just how widely the strike's after-effects would spread in retail sales.

Along with these two immediate problems, the admen tackled the perennial question of how to achieve a better understanding by top management of advertising's role in over-all company objectives. In formal conferences and informal confabs, they strove to reach a clearer idea of how management looks at advertising—and how they can improve that vision.

I. Finding the Right Remedy

Two years ago, ANA itself opened a Pandora's box when it released its

compensation study by Prof. Albert Frey (BW—Nov. 2'57, p155), and proceeded to question the notion that the 15% commission for ad agencies should remain as an unalterable compensation arrangement.

This year, ANA found its hot issues ready made for it by a rapid succession of outside events preceding its convention. On the one hand, the Federal Trade Commission had announced it was staffing up to increase its surveillance over commercials to ferret out any that might be false and misleading. FTC showed it meant business by proceeding against Libbey-Owens-Ford Glass Co. over TV ads plugging safety plate glass used in General Motors cars as against safety sheet glass. FTC said the ads were rigged, but L-O-F denied any deception.

Then, just a week before ANA met, one of its directors, George Abrams—former vice-president in charge of advertising for Revlon, Inc., and now with Warner-Lambert Pharmaceutical Co.—had testified before the House subcommittee headed by Rep. Oren Harris (D-Ark.) regarding agency-sponsor control of quiz shows. Rep. Harris, ending this phase of the hearings, announced that they would resume later with an investigation into paid plugs and planted mentions on broadcast shows.

- **Strong Stand**—In the face of all this, ANA decided to take an unusually strong stand on the issue (BW—Nov. 14'59, p34). After spending 14 hours hammering out a statement, its directors acknowledged advertising's deep involvement in the TV issue, and declared firmly:

"We are faced with a crisis . . . from which could come regulation so rigid that our most vital contributions would be nullified. . . . And so it is up to us—all of us—to take whatever action we can to set our own house in order."

- **But Varying Remedies**—When it came to the form this housecleaning should take, though, ANA members had varying ideas. The membership ranges all the way from heavy industrial goods producers to companies making consumer packaged goods, so viewpoints on

ad policy necessarily cover a wide spectrum. This shows up in the fact that ANA has never expelled a company, although it did reject one applicant for objectionable advertising practices.

The divergence of views became obvious at a fully attended workshop on the status of TV programming. Viewpoints ran the gamut from newspaper critic John Crosby's advocacy of the British system, where advertisers buy spot messages without direct control over timing or placement, to National Broadcasting Co. Vice-Pres. Don Durkin's rather indefinite assertion that networks should scrutinize their programming more carefully.

Most workshop panel members concurred in the desirability of better programming. But Warner Bros. Vice-Pres. Rodney Erickson summed up a widely held view when he suggested: "It's a fine thing to place higher-type programming in prime time hours. But you can't expect the sponsor to take the beating for the lower audiences which typically result. Let the nets price higher-type programs on a cost per thousand basis, so that the sponsor of a more selective program pays no more in terms of audience reached than the sponsor of Gunsmoke."

Columbia Broadcasting System is experimenting with this approach in its prime time informational series, CBS Reports. The network has sold the sponsorship for about half price, to compensate for an anticipated smaller audience (BW—Aug. 31'59, p128).

- **Few Changes**—In talking to BUSINESS WEEK, many individual ANA members indicated that they plan no drastic changes in their TV practices. One executive explained why:

"Two factors about TV," he said, "make it imperative that we exercise some degree of review over programming. One is size. It costs you more in the first place, and when you make a boo-boo on TV, a lot more people see it."

"The other factor involves production. Let's face it, ideally an advertiser would O.K. every bit of editorial matter associated with his advertising. Think how an airline feels when its newspaper ad runs next to a big crash story. But on TV, you've got the script, maybe the whole show, prepared well in advance. That gives you time to censor out objectionable material. And, more frequently than not, you're dealing with middlemen, outside producers who may try to sell you a show before the network even sees it."

A top marketing executive for a brewer adds, "We buy mainly packaged shows. But you don't have to tell the

One
out of
every
Five
will go
into the
GULF
SOUTH!



TEXAS | LOUISIANA | MISSISSIPPI | SO. ALABAMA | N.W. FLORIDA

Industrial construction presently planned for the Gulf South area served by United Gas is valued at some \$3.5 billion—more than one-fifth of the engineering construction proposed for the entire United States. Contracts were let in the first half of this year for some \$200,000,000 of industrial building in the dynamic Gulf South. There's little wonder that United Gas shares the optimism and enthusiasm of all business of the area. The Gulf South would be a great place to build your new plant. *Statistics by McGraw-Hill*

If fuel is a factor in your operations,
write United Gas, Shreveport, La.

UNITED GAS

SERVING THE

Gulf South

UNITED GAS CORPORATION • UNITED GAS PIPE LINE COMPANY • UNION PRODUCING COMPANY

Allis-Chalmers cost-cutting products for industry

stacks 2-ton loads 15ft high



Extra reach of Allis-Chalmers lift trucks stacks loads high . . . utilizes more area near ceilings to provide 50 percent more storage space per square foot. Allis-Chalmers, Milwaukee 1, Wisconsin.

ALLIS-CHALMERS

POWER FOR A GROWING WORLD



This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

November 10, 1959

200,000 Shares

Pitney-Bowes, Inc.

Common Stock

(\$2 Par Value)

Price \$35 per Share

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

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Lehman Brothers

Merrill Lynch, Pierce, Fenner & Smith

Incorporated

Estabrook & Co.

F. S. Moseley & Co.

Putnam & Co.

packagers what to do—they know the limitations of the beer business.”

• **Conflicts**—Another ad executive, for a large packaged goods producer, says, “You’re not a very smart buyer if you don’t check the script carefully for conflicts.” With his company, which often presents as many as six different products on one show, he notes, conflicts can frequently be eliminated without affecting editorial content. He cites a show, normally advertising shaving cream, in which on one occasion a number of bearded men appeared: “We simply substituted another product that night.” A one-product advertiser, he concedes, would be up against it in such a case.

• **Rejection**—Wilbur Jones of the Hoover Co. took the most candid stand, rejecting any “change in our commercials.” “Sure,” he said, “we throw liquid on the floor when we’re doing a shot for our polisher—it makes the floor glisten more. And we’ll continue to pay for product plugs. I have Hoover products on the merchandise giveaway shows several times a month. It’s effective advertising—and it’s cheap. I can get 12 plugs for \$1,000. And it works in the films, too. I got a beauty once, for the price of three \$50 gifts. The scene closed with a shot of a vacuum cleaner coming straight out at the audience. For a full 10 seconds, there was the name Hoover coming right at them.”

Generally, those interviewed rejected any system like the British “spot” messages—on the grounds that sponsors gain important advantages from general identification with a show, and specifically from merchandising and promotional tie-ins. One international advertiser contended that even in the purportedly pure British system “you’ll find the biggest sponsors appearing adjacent to the most popular shows.”

• **Concern**—Despite these differences of view, a number of ANA members expressed concern over the ramifications of the quiz scandals. Dictaphone Corp.’s vice-president for advertising, A. Donald Brice, commented, “This situation has seriously vitiated advertising’s credibility in the public mind. Many aren’t even aware of the problem—but this is quite a big thing. I’m considering running our next ad with this headlined statement, ‘You Can Believe the Following Words.’”

II. Steel Strike Blues

If it’s difficult to pin down the effects of the TV issue on advertising, it’s also hard to measure the advertising effect of the steel strike on various industries—though it’s clear that some ad schedules will be stretched out.

Steel stock positions vary widely within particular industries, and this



*Revolutionary Johns-Manville **CHEMPAC TEFLON** Electrical Tape...*

**defies heat, cold, and corrosives
where any other tape would fail!**

Skillfully sliced from densely moulded billets of pure Teflon*, J-M Chempac® Tape is light in weight yet uniformly tough and strong.

Now—from Johns-Manville research—comes an insulating tape with a unique combination of high heat-resistance, flexibility, excellent insulating value, outdoor durability, abrasion-resistance . . . plus weight-saving possibilities because it can be used effectively as thin as 0.002 inches.

Where no other tape will stand up in aircraft, missiles, computers, and television or communications installations . . . J-M Chempac Tape is rated for continuous use at 500F. It remains non-brittle even when immersed in low-boiling liquefied gases, is inert to most

chemicals, has ideal electrical properties. And because it is so physically strong, it can be economically applied by conventional wrapping machines . . . conforms readily to irregular objects.

In addition to Teflon Tape, you can look to Johns-Manville for Chempac Teflon packings, gaskets, rods, tubes, sheets, and molded shapes . . . or for precision-machined parts. The Chempac line includes asbestos-Teflon products ideally suited for a variety of critical applications.

For data on J-M Chempac products write to Johns-Manville, Box 14, New York 16, N.Y. In Canada: Port Credit, Ontario. Ask for Brochure PK-124A.



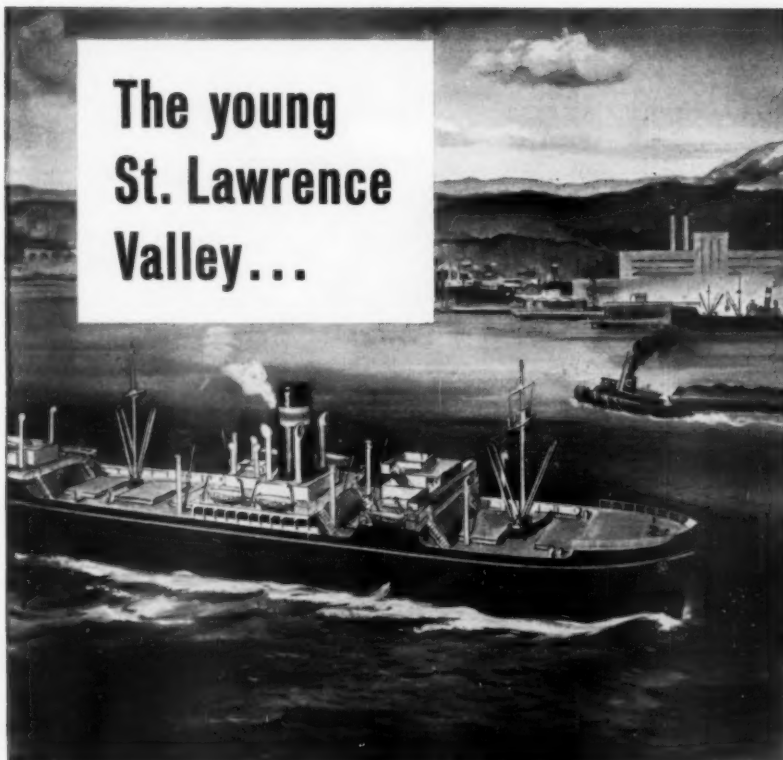
Chemically inert packings, gaskets and components are available from Johns-Manville in pure Teflon—or a combination of Asbestos and Teflon—to meet your specifications. They will not swell or crack . . . have a unique slippery surface that resists adhesion to most materials. Brochure PK-124A offers data.

*TM for Du Pont Tetrafluorethylene resin.

JOHNS-MANVILLE

JOHNS-MANVILLE
JM
PRODUCTS

The young St. Lawrence Valley...



Prime Industrial Sites Waiting!

Young, vital, bursting with energy, the St. Lawrence Valley offers newcomers exhilarating prospects for growth. Here's a region with every requirement for work and play...communications, power, schools, colleges, services and recreation...whose value has just been recognized. Already established as an aluminum reduction and processing center, the Valley has an assured future as a port, manufacturing site and distribution point for the northeast U.S. and southern Canada...itself an area of explosive growth.


Transportation. The Valley is North America's new front door, port for the Seaway which brings northern Canada, the U. S. and Europe closer together by days. Now building is a super-highway net to link the Valley with the metropolitan American belt stretching from Boston to Milwaukee.

Development of natural resources is well under way. Major iron and steel companies are operating mines in the area. Natural resources such as limestone, graphite, talc, lead and zinc are also being exploited. Hardwoods are abundant. A huge share of the area's milk production...a billion-plus pounds a year...is immediately available for industrial uses. Electric power is plentiful at low rates and the water supply is limitless...the St. Lawrence River

has the second largest water flow in the world (only the Amazon has more).

The business climate is favorable. People here are enthusiastic about industrialization. Labor-management relations are good and labor productivity extremely high.

Already established in the Valley are such industries as aluminum refining, automotive castings, paper and dairy products. Opportunities in related fields are plentiful, especially in woodworking, metallurgy, metal fabrication and the manufacture of electrical components. Sites, many of them on the River, are available. For specific information, contact the Director of Area Development, Niagara Mohawk Power Corporation, Dept. BW-11, Erie Blvd. West, Syracuse 2, New York.

NIAGARA  MOHAWK

may well affect advertising strategy. Some auto makers with longer steel inventory positions may well use this to capitalize through advertising on a scarcity psychology.

Newspapers, working on shorter ad schedule lead times than TV or magazines, and with ads of a more newsy, buy-it-now character than magazines, have sustained the sharpest blows from ad curtailments. Indeed, some steel-stricken advertisers are considering increased magazine schedules to keep their names before the public at a time when they have little product to offer.

• **Hard and Soft**—Aside from autos, most consumer hardgoods producers aren't too worried about steel shortages at this point. Many major appliances mark a low point in the fourth quarter. But producers of traffic appliances such as toasters and automatic mixers, who garner a rich portion of yearly sales at Christmas, face the toughest problems. Some, short on steel, have reluctantly curtailed advertising.

Most producers of consumer disposable goods feel the strike hasn't yet cut into consumer buying power anywhere near enough to warrant cutting back advertising.

• **Psychology at Home**—It's the psychological effect of the strike in their own companies that worries admen much more. As one expressed it, "This couldn't have happened at a worse time. Next year's budget will be up for review soon—and any current slump in sales is sure to prompt a suggestion to economize on advertising next year."

To ANA Pres. Paul West, this merely underlines the need for its current project to establish just what is the "corporate management approach to the advertising investment." He launched the undertaking with the hope of discovering what unresolved questions and criticisms disturb top management with regard to advertising. Overwhelmingly, the answer came back that top management "demands more information about the advertising dollar, better yardsticks on what returns can be expected."

As Westinghouse Electric's advertising manager, Roger Bolin, summed it up, existing measurements enable advertisers to match media with markets, to nail down principles of effective communication, to determine how many people are reached. But, he said, "we still don't know—should we spend 10¢ a case or 20¢ a case? Should we spend \$10 a refrigerator or \$5? If your advertising budget is \$2-million, could we get the same result for \$1.5-million? Or really, should the optimum expenditure for volume and profits be \$2.5-million?"

ANA doesn't expect to come up with a magic formula to answer these questions. But it does plan to collect and present a number of pioneering efforts in measuring ad effectiveness. **END**



Spread out is everything that's organized inside his new Clutter-Proof Desk

A "clean desk" man shows all

**New desk a marvel of in-drawer organization.
Clears desk top for freedom to work.**

Yes, all those things spread on the floor actually have a *specific place* inside the new Shaw-Walker Clutter-Proof Desk.

And everything is organized for quick finding. Desk top working space, a catch all on other desks, is actually *doubled* with this desk.

There are *in-drawer* letter baskets, work separa-

tors, letter files, card trays, forms shelves and work tools organizers . . . even an *in-drawer* wastebasket and an *in-drawer* telephone.

Today with the high cost of office workers and office space cutting net profits, these time-saving, space-saving Shaw-Walker Clutter-Proof desks are really a must.

See them at one of our 17 branches or 470 dealers. There are 58 beautiful color combinations. Or write for our new 252-page Office Guide. Shaw-Walker, Muskegon 20, Michigan.



SHAW-WALKER

Largest Exclusive Makers of Office Equipment
Muskegon 20, Mich. Representatives Everywhere

Allis-Chalmers cost-cutting products for industry

shakes cars empty in 2 minutes



Up to six man-hours of labor are saved when 50-ton hopper cars are unloaded by an Allis-Chalmers car shaker. Even sticky material unloads in two minutes. Allis-Chalmers, Milwaukee 1, Wisconsin.

ALLIS-CHALMERS
POWER FOR A GROWING WORLD



UNITED Food Service Helps Him **Eat His Way To A Safety Record**

In 40 years United Food Management Services has developed unique skills in a difficult and ever-changing trade. For instance, how to "sell" your employees the balanced meals that mean higher morale . . . lower accident rates.

If the food service in your plant is your responsibility, why not let United's experts share their know-how with you.

Here's How! We've put much of our experience in printed form. A request on your letterhead will bring you any of the following: a. "Plan Food Service When You Build"; b. "Getting Good Food Service"; c. "What Food Service Should Cost You".

We will also include the United Food Service "Clinic" form that will enable you to make a really "experienced" analysis of your own food service facilities.

United Food Management Services, Inc.
7016 Euclid Ave. • Cleveland 3, O. • Dept. C112
1919 • Our 40th Year • 1959

Please send booklet (a) (b) (c) "Clinic" to:

Name _____ Title _____
Company _____
Address _____
City _____ Zone _____ State _____

Overflow of Oil

Market growth must be counted upon to undo the damage of oversupply, say API convention speakers.

At the American Petroleum Institute convention in Chicago last week, the oil industry told itself its troubles—principally surplus of crude oil, surplus of refinery capacity, and a consequent depressing of prices.

Spokesmen for the big companies talked of the need for self-restraint in oil-drilling and refinery expansion; some of the small refiners and the jobbers suggested they might ask Congress to enact regulations on production and pricing practices.

Speakers from both camps, however, agreed that the growth of markets over the years could solve their problem of oversupply. They stressed the need for keeping market growth at a faster pace than the development of supply and of refineries.

• **Balancing Up**—"God forbid that we have more government control," said M. J. Rathbone, president of Standard Oil Co. (N.J.) and newly elected chairman of API. "The oil industry is great because it is self-reliant. The minute we turn to government, we lose that self-reliance. And controls breed more controls."

Rathbone said the passage of two or three years should help to right the oversupply. Next year he foresees a 4% gain in demand for oil products in the U. S.; a 6% gain, chiefly industrial, in the rest of the world.

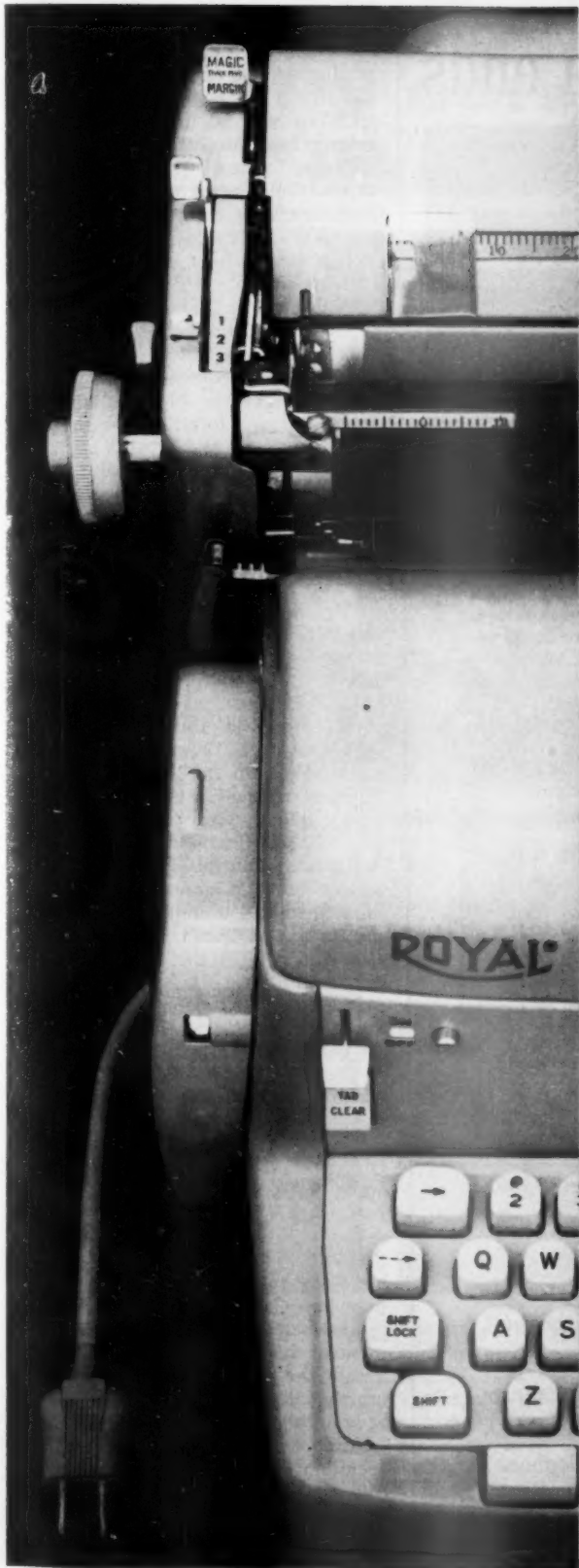
The outgoing API chairman, H. S. M. Burns, president of Shell Oil Co., also told the delegates that a temporary excess of refinery capacity had been responsible for depressing prices of oil products.

"The present situation will eventually correct itself," he said. "I believe that by 1964 or 1965, refining capacity will be back in balance. This has been a lesson for the industry. It should never again allow itself to overbuild."

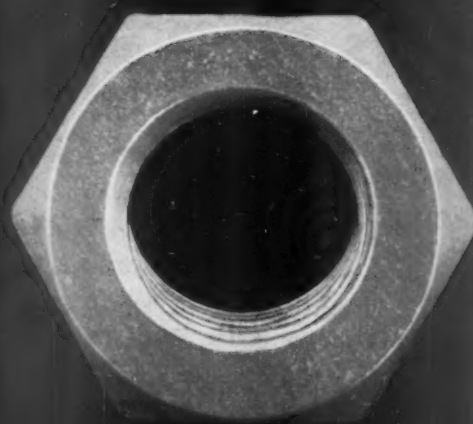
Other industry people point out that the overbuilding was partly at the behest of the federal government during the Korean War, when the refiners were offered a fast write-off of depreciation in return for boosting capacity. According to one estimate, overcapacity is being soaked up at the rate of 3½% to 4% a year.

• **Self-Control**—The McGraw-Hill survey of capital spending (BW-Nov. 14 '59, p76) confirms industry plans to hold back on oil exploration and refinery expansion.

While business over-all is planning a



Royal Electric
Typewriters are built
better right down
to the last nut



ROYAL

Product of Royal McBee Corporation,
World's Largest Manufacturer of Typewriters

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1959

Allis-Chalmers cost-cutting products for industry

packs dig-power at both ends



New Allis-Chalmers utility tractor can dig trenches, load material, handle dozens of other jobs. It's low, wide . . . and turns in less space than others its size. Allis-Chalmers, Milwaukee 1, Wisconsin.

ALLIS-CHALMERS
POWER FOR A GROWING WORLD



SQUEEZED OUT?
put your
roots

in the NEW
Iowa

Your place in the sun may even be waiting for you now. Shell buildings, choice plant sites — we've got the complete box score on the best that's available in the state. Write for the Iowa Industrial Resources Fact Book. Your reply will be handled with diplomatic discretion. Write Ed B. Storey, Director. Telephone: Des Moines — Atlantic 2-0231.



IOWA DEVELOPMENT COMMISSION • 329 Jewett Building • Des Moines, Iowa

10% increase in capital spending next year, the petroleum industry is cutting 1% from this year's figure. It has scheduled a 4% drop in the drilling and producing end of the business, where the biggest money is involved. Refinery spending will be up 9%, mostly for reequipping present plants. Capital spending for marketing will jump 7% as companies make a greater effort to find buyers for the products they turn out (BW—Oct. 24 '59, p120).

Historically, more than 70% of the industry's total capital spending has been devoted to the finding and proving of new reserves. Next year, this percentage is down to 68.5%.

• **Too Much Already**—Discoveries of new oil fields in North Africa and South America, together with the menace of more oil from Russia, kept the API delegates in a buzz of argument over the crude oil supply.

"Too many oil wells are being drilled in the U.S.," one man said, "under small and often individual ownership."

"I don't buy the idea that we're going to be drowned in crude," another delegate countered. "Oil is a growth business."

W. K. Whiteford, president of Gulf Oil Corp., ranged himself among those who think the supply of crude isn't excessive. It's only about a five-week supply for the refineries, he said, pointing out that "it takes a lot of crude oil for refinery stock, pipeline fill, and what stays in the pumps."

• **Refinery Control**—The sharpest discussion centered around the policies of the refiners and around their retort that the marketers aren't doing the best they can to move the product without price distortions.

Not long ago, the Independent Refiners Assn. of America asked the major oil companies to reduce refinery runs in line with current demand. The National Jobbers Council asked API for a study of oil company profits to help determine if the jobbers are getting a fair share. The council threatened to appeal to Congress if API declines to make such a study.

For legal reasons, there's some doubt that API will comply with its request, but Rathbone, the incoming chairman, may have had the council's move in mind when he said he hoped each segment of the industry will try to understand "the rights and wrongs" of the others. "Every segment must learn," he said, "that it can't live in a vacuum."

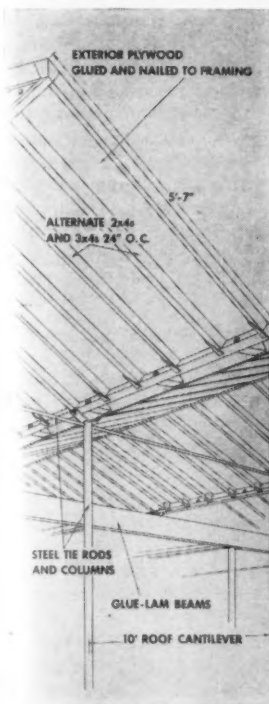
API furthered the industry's cooperation in an effort to find new markets and build up old ones. An API committee is behind formation of a new group "to present a united front for the first time" for the fuel oil and oil heating industry, as a step in competing with natural gas as a home heating fuel. **END**

A REPORT TO MANAGEMENT ON HOW

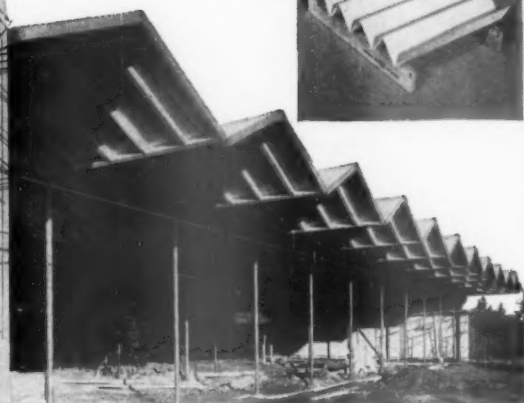
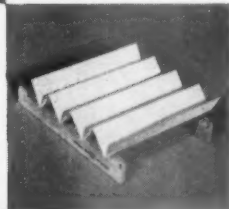
Industry cuts costs with FIR PLYWOOD

ROUTE TO:

- ☐ ENGINEERING
- ☐ PRODUCTION
- ☐ SALES
- ☐ PURCHASING
- ☐ MAINTENANCE
- ☐ CONSTRUCTION



Paper models demonstrate remarkable strength of design. Flat sheet sags under own weight; folds provide stiffness by acting as series of rigid "V" beams.



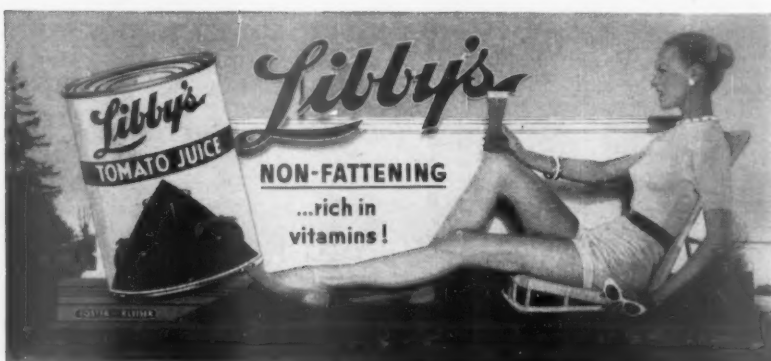
Strength from shape—not mass—is the key to this precisely engineered fir plywood folded plate roof. The plywood plates are stiffened with light lumber framing and act in pairs to form a series of giant "V" beams.

Stronger, yet less expensive (by 20 per cent or more) than conventional joist or truss construction, fir plywood folded plate roofs are ideal for warehouses, stores or other buildings that require large, clear floor areas. Depending on design, the system permits clear spans of 50 feet or more.

In the 14,000 sq. ft. shopping center shown here under construction, plywood roof components were fabricated on the ground using common labor, and installed by a 6-man crew in less than nine hours. In-place cost came to less than 80c per square foot.



Delicate electronic equipment, produced by Edgerton, Germeshausen & Grier, Inc., Boston, is shipped to AEC test sites in Eniwetok in light yet rugged fir plywood containers that provide maximum protection at low cost.



Giant overlaid plywood cut-outs add real impact to outdoor advertising. This giant bulletin produced by Foster & Kleiser, San Francisco, for Libby's is being rotated in key West Coast markets. The plywood cut-outs are light, strong, and easy to fabricate. The medium density resin-fiber overlay is fused to the panel during manufacture to form a smooth, durable surface for quality paint finishes. The overlay is completely waterproof and has a slight "tooth" for better paint adhesion.

FOR MORE INFORMATION about fir plywood—its uses, properties and advantages—write
DOUGLAS FIR PLYWOOD ASSOCIATION
 TACOMA 2, WASHINGTON
 —an industry-wide organization devoted to research, promotion and quality control

Always specify by DFPA grade-trademarks



AT&T Promotes "Shop by Phone"

It's a campaign to sell more telephone use to department stores. Retailers are skeptical—but interested.

Lines of telephone saleswomen such as the one in the picture below will be popping up in more big stories if American Telephone & Telegraph Co. has its way. Along with member companies, AT&T is aiming a considerable chunk of its marketing fire at retailers—especially department stores—to encourage shopping by phone.

Right now, officials of Bell System companies in 25 cities are demonstrating how major stores can convert what many retailers consider a necessary nuisance into a real merchandising plus.

This program is just one aspect of AT&T's over-all plan to sell communications by phone. Until the early 1950s, it had all it could do to keep up with demand. Once it had met the demand of World War II and immediate postwar years, it knew it had to sell.

• **Opening Drive**—The program has

many facets. Colored phones were an obvious bid to sell more extensions in the home. Now the company is set to launch a drive to sell not only more extensions but second lines into homes (BW—Sep. 5 '59, p46). New inter-com systems, for the homes as well as for business, improved equipment, concentrated work with hotels, motels, and other institutions—all are part of the drive.

A complementary phase of the promotion aims at building a new corporate image. AT&T is aware that its huge system rates as a ponderous unimaginative monster in the minds of many of its customers. It wants to show these skeptics that it is a fast-moving operation, with real merchandising knowhow that can help its customers build their own businesses.

That is why, when it formally launched its department store campaign at the annual meeting of National Retail Merchants Assn. last January, it used all the razzle-dazzle of an aggressive sales convention, complete with theme song, skits, dances, and TV stars.

• **Baltimore Story**—Behind the razzle-dazzle, the Bell System had worked up a carefully documented sales story, based on the experience of a major store, Stewart & Co., member of Associated Dry Goods Corp., in Baltimore.

The Stewart Story—as AT&T dubs a film it has made based on its experiment—started five years ago. At that time, Chesapeake & Potomac Telephone Co. of Maryland, AT&T subsidiary, decided it was time to get going on its department store business.

Carl Fuller, C&P's district commercial manager, made a four-months' swing around the country to see how the stores used telephone service. Next step was to employ National Analysts, Inc., Philadelphia research subsidiary of Curtis Publishing Co., to survey some 2,000 housewives to find out the pros and cons of this kind of shopping. Armed with these data, C&P sold Stewart on a test installation, late in 1956. Two years later, the store was an enthusiastic buyer.

John M. Bush, treasurer of Stewart's has this to say about results:

Before the program, the store's telephone sales were 4% to 5% of its total business. Now they run 10% to 12%. Returns run only 2% higher than returns of over-the-counter purchases. And while phone sales require 100% delivery, Bush says that selling costs run only 3.5% of sales.

• **Second Step**—AT&T put the survey and the Stewart Story together in pamphlets as sales tools. Last summer,

Fuller and an AT&T official told the story to telephone companies in 25 cities. From that point, the individual companies picked up the drive. Next year, the Bell System will start advertising this service to customers.

So far, says Robert E. Johnson, administrator, Major Account Sales, in AT&T's marketing department, some 30 companies have shown a real interest in the program. A. Harris, in Dallas, has gone all out in boosting the program—it recently featured the phone in all its display windows. Since Johnson estimates that only about 30 companies had really major, effective telephone shopping programs in the past, these results are "quite successful," he feels.

I. Crazy Quilt

Behind this whole program lie some basic shifts in buying and selling patterns. BUSINESS WEEK scouts in a dozen or so cities recently went foraging to find out what kind of backdrop the Bell System show is playing against. They found a stage whirling with conflicting settings.

• **New Patterns**—During and just after the war, shopping by phone burgeoned (BW—Dec. 29 '51, p74). The rush to the suburbs, the family-formation explosion that kept mothers at home, more working women, the downtown traffic snarls, all contributed.

Since then, new patterns have broken out. Merchants have had a change of heart about this kind of selling—in all directions. Some who had a flourishing telephone shopping business are paring it down. Some have thrown it out. Others are taking to it with a new zest.

With a few exceptions, it still accounts for a small fragment of a store's total business, running usually anywhere from 1.5% to 7%, except for some special operations such as gourmet foods. Many retailers reported that telephone shopping had increased only as much as over-all sales. Some said it had declined. One store found it had tripled in five years. Foley's, in Houston, which has no branches, reported it had jumped 34% against an 18% sales increase over-all. Even so, phone sales represent only 2.5% to 3% of total business.

• **Deterrents**—Stores have several strong arguments against the service. As a Boston retailer put it, "We prefer to sell on the hoof." Over and over, the echo cries, "We want traffic in the store." Merchants obviously fear they lose impulse buying when they promote the phone.

Many—though not all—retailers con-



ARMED with catalogues, Montgomery Ward telephone saleswomen find that their chief problem is: how to keep up with growth of phoned-in orders.



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From this underground control center near Omaha the Strategic Air Command directs global operations. SAC commanders can contact instantly all world-wide key bases as well as distant flight missions by an adaptation of a radio technique known as single sideband. Practical use of this technique was made possible by research of Collins Radio Company whose air and ground SSB radio communication system serves as one of the major lifelines for SAC's operational efficiency.



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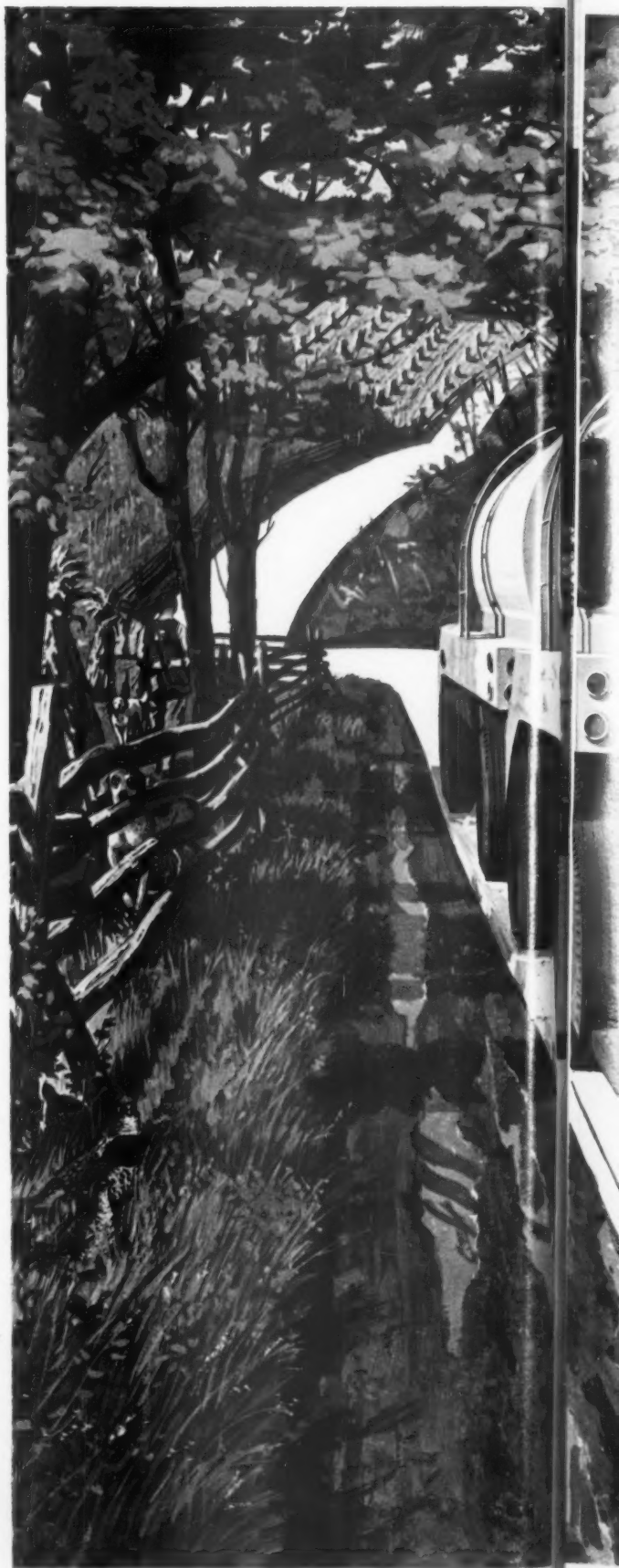
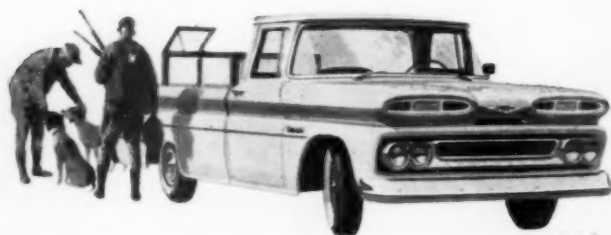
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It took a big, bold step to bring you the incredible ride and handling you find in '60 Chevrolet trucks. It meant throwing away the front axle in favor of fully independent suspension with torsion springs. It included redesigning rear suspension; increasing the stability of light-duty models with wide based coil springs; increasing the work life of heavy-duty Chevrolets with variable rate leaf springs. Cabs were made roomier, 67% more rigid and cushioned with rubber mounts. Precision wheel balancing was installed as a step in final assembly.

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Anything less is an old-fashioned truck!







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...and cellophane's crystal-clear transparency made the sale more profitable

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DU PONT
cellophane

... every time we or our competitors open a new suburban store, there is a perceptible drop in our phone sales ...

(STORY on page 128)

sider this kind of shopping more costly, less profitable than in-store sales. Delivery costs are up sharply. Wallace Pierce, Jr., president of S. S. Pierce Co. in Boston, says, "In 1946 it cost us 34¢ on the average to make a delivery. Today it costs 90¢." His is one company that is cutting back sharply on the service, though, says Pierce, "It breaks our hearts."

Many cite high returns as a deterrent. "They order three dresses by phone and keep one," several grumble. Returns are twice as great on fashion items bought by phone, one retailer says.

Some find that it is hard to stock for telephone shopping. Such sales are closely tied to advertised items on any particular day. If an item catches on fast, the telephone orders may clean out the stock before the all-important in-store customer can get there.

- **Suburban Interference**—But the most significant cause of some retailers' growing disenchantment stems from a development that was just beginning to emerge back in 1951: the great upsurge in suburban branches and shopping centers. Instead of getting the suburban shopper by phone, many stores are getting him in person.

Usually, enthusiasm for telephone shopping varies in direct ratio with the number of branches a downtown store has: "Every time we or our competitors open a new suburban store, there's a perceptible drop in phone sales," a Los Angeles merchant reports. In Milwaukee, the keenest proponent of phone selling is a store that has only one branch. "With branches, you don't need to push phone shopping," many believe.

- **Plus Business**—Yet, for all the negative answers, even those who don't like telephone shopping admit that it offers so much in convenience to customers that they often provide it, whatever the cost.

Some stores have much more positive answers than this. A number feel that the telephone brings them plus business—customers who just could not get to them any other way. Macy's-New York, which has one of the country's largest installations, points out that on a bad day even the branch stores can't lure the shoppers in. But the telephone may. (The reverse of this argument shows up in the Miami area. There the weather is so fine, say retailers, women want to go shopping.)

- **"High Returns" Discounted**—Plenty of stores, too, dispute the high returns that so many cite. "Only slightly more than average," quite a few find. At

least one store discourages returns by charging a small fee for delivery, doubling the fee for picking up a returned item. Others have found that by refusing to accept phone orders on fashion items they can avoid a lot of return headaches.

The extent of the service varies. Some stores—Atlanta's Rich's, for one—offer free long-distance phone service to some areas. Some charge for deliveries; many don't. In some cases, customers pick up the item themselves.

Some argue, too, that despite delivery costs and returns, over-all selling costs are low. One big chain even finds them lower than in-store selling when you take into account the floor space the telephone operation requires, the greater freedom a special phone department leaves the in-store salesman.

The store with few or no branches has this to say for the telephone: To some extent, at least, telephone service offsets the competition of the suburban stores, and even of the smaller shopping centers. At least one feels that while a new branch cuts down the business at first, the branch eventually wins new customers. And no branch can hope to reach the market that the telephone can reach.

II. An Orderly Program

AT&T is quite aware, from its own analyses of the market, of all the cons as well as the pros. Despite the opposition of many retailers, it thinks it can make a sale. Again, it relies heavily on the experience of Stewart & Co. to show that the telephone is a real merchandiser.

Stewart's Bush explains that the success of his company's operation depended on more than newer, bigger equipment. It took a "different philosophic approach to put such selling over," he says. From mere order-takers, the telephone answerers have developed into saleswomen. They are, says Bush, "dyed-in-the-wool store people."

- **Best Sellers**—Like other successful operators, Stewart has discovered that mature women, who know family life and use a homespun approach, work best. In addition, they must know their own store. Each saleswoman has the store ads for the day right at hand in her cubicle; often she has actual samples of the advertised merchandise. That way, she can answer questions the customer may have right on the spot.

Stewart's store buyers have learned that it pays to keep in close touch with the telephone department, to explain

features of the advertised goods, to get—and give—some idea of the kind of response the store can expect.

Further, a smart, well-trained telephone order-taker can often make additional sales, by suggesting over the phone matching merchandise, say.

What's more, quite a few retailers note an even more aggressive trend—calling a customer cold to suggest a purchase. On the whole, AT&T does not encourage this tactic. The last thing it wants is for the telephone to become a household bane. But many of the swisher stores, where saleswomen have their own special clientele, do well by calling up a customer and telling her, "You would love our new cashmere sweater." And in fields as widely scattered as gourmet shops and appliances, retailers have worked this pitch successfully. In Denver, cold canvassing has roused the ire of residents to the point of taking steps to curb it.

Mail order chains have done particularly well in telephone shopping. Usually such sales are tied to catalogue selling. Sears, Montgomery Ward, and Spiegel all report considerable growth in this area though in Atlanta, at least, Sears feels it has followed mail order business. Spiegel, in particular, which has no straight retail stores, is pushing telephone service. In six cities, it has an office devoted to phone selling only. Spiegel's experience parallels Stewart's closely.

- **Special Equipment**—This calls for efficient equipment and intensive training. AT&T feels it has both. In training, it has a suggested outline—stressing courtesy, imaginative selling—that a store may adapt to its own needs. New equipment, which automatically distributes calls to ease the work load, offsets customers' complaints that "the line is always busy." So do separate numbers for the telephone operation—a device that more stores are adopting. Cost of the equipment itself is not prohibitive, argues AT&T. A medium-sized installation, to handle 25 to 30 clerks, would average perhaps \$400 a month rental; this does not include trunk lines.

- **Ring Up Sales**—How far the telephone promotion will go is still a question. Some retailers feel that the trend is away from, rather than toward, telephone shopping. Many families now have two cars, one merchant points out; once children get to school age, mother doesn't have to stay home. What's more, she likes to go out. On the other hand, growth of consumer credit, charge accounts, and the like, boosts telephone business.

AT&T is confident it can put its program over. Such a service, intelligently handled, can only mean plus business, it argues, in a day when department stores, particularly, are not sharing fully in the over-all economic growth. **END**

"Ouch! License plates for 7 trucks come to \$742!"



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In Marketing

IBM Shift in New York Sales Setup May Set Pattern for Wider Change

International Business Machines Corp. is reorganizing its Manhattan sales offices by type of industry covered, a shift from the geographical arrangement currently used.

The idea is to have each of the four offices in New York take over one or more industries that are customers for IBM equipment. According to E. H. Dohrmann, Eastern Region manager for the Data Processing Div., sales representatives will become specialists in specified industries. IBM's New York Downtown Office becomes its New York Financial Office, dealing with banks and brokers; its Church Street Office will handle insurance companies; the Midtown Office textiles, retail trade, and associated businesses; the Uptown Office, petroleum, industrial, and transportation industries.

IBM has set Jan. 1 as the date for the marketing changeover. Though IBM won't comment, the change may set a pattern for a major IBM sales reorganization.

Gasoline Price War in North Carolina Simmers Down, But More Trouble Brews

After months of hassling, a gasoline price peace appears to have settled on war-torn North Carolina. But the ruckus stirred up issues that may shatter the peace again.

Price cutting had been rocking along since sometime late last year. Early this summer, several majors—Esso, Gulf, American, Sinclair, Atlantic, Pure, and Phillips—took to “fair trade”—a tactic companies have used before to steady a price-war area. Shell, Texaco, Sun, Crown, Spur, and others held out.

The battle got really hot when fair trade majors cut fair trade prices—to meet price cutting of non-fair-trade majors, they said. In two months, fair trade retail prices dropped 4¢. Some dealers refused to go along; some cut lower than the suggested resale price. Injunctions, court cases on both counts sprouted. Some are still pending.

In August, North Carolina Atty. Gen. Malcolm Seawell stepped in, with hints that the U.S. Justice Dept. might investigate. He charged that Gulf and Esso, in particular, were using fair trade to “stop the downward trend in their control of the market.” He ridiculed suppliers’ claims about the value of their particular additives, claimed that price fixing, as he called it, was a threat to small retailers. He added that fair trade under the state’s law applied only to a free and open market and intimated that North Carolina lacked such a market. In October, he requested repeal of the state’s law.

Meanwhile, the oil jobbers got involved. James G. Little, attorney for their association, accused fair trade majors of a “squeeze play” that threatened small operators, because, he charged, majors did not cut the price to jobbers—a charge the majors called ridiculous. The North Carolina Bureau of Investigation began asking

questions. Amoco said Seawell had “impugned the integrity” of the company.

With all the hurly-burly, prices settled a bit. Led by Esso, fair traders upped prices to former levels. A meeting of Seawell with Herbert Dowd, manager of Esso’s North Carolina division, last week reportedly brought no change of heart on either side, however.

Food Fair and Korvette Talk Merger; West Coast Food Chains Also Considering

Talk of two possible mergers in the food field had the trade buzzing this week:

- Food Fair Stores, No. 10 in retail sales last year (BW-Apr.11’59,p45), admitted it has been exploring merger possibilities with E. J. Korvette, low-margin department store, which once answered to the name of discount house. Combined sales would reach something like \$840-million if the deal went through. A high Food Fair official reports, though, that the negotiators have found no meeting of minds on terms.

- On the West Coast, two large supermarket chains, big Lucky Stores of San Leandro, Calif., and Market Basket (Calif.) of Los Angeles, said talks of a merger were under way. However, Lucky’s president, J. C. Ernst, reported his company is still in the process of gathering information on the proposal. In 1958, the two companies’ sales together ran over \$230-million.

FTC Examiner Says Three Oil Majors Coerced Dealers; Three Others Cleared

A Federal Trade Commission hearing examiner ruled last week that three major oil companies, The Texas Co., Atlantic Refining Co., and Shell Oil Co., have unlawfully coerced their dealers to buy tires, batteries, and accessories “sponsored” by the oil companies.

Examiner Earl J. Kolb issued separate orders that would require the three companies to stop these practices. His rulings can be appealed to the full commission—but the oil companies promptly denied they had used “coercion” at all.

Kolb dismissed charges against B. F. Goodrich, Goodyear Tire & Rubber, and Firestone Tire & Rubber, major suppliers of TBA. He found no evidence they had participated in the alleged coercion.

Shell and Texas were quick to point out that the contracts themselves between the oil companies and TBA suppliers were cleared. Under these contracts, TBA suppliers paid the oil companies commissions ranging from 7½% to 10%. Kolb conceded that, for this commission, the oil companies performed substantial services in promoting “sponsored” TBA with their service station outlets. In effect, then, the services performed justified the commissions.

But Kolb did rule that the oil companies used pressure to force dealers to buy TBA from companies with whom the particular oil company had a commission contract. In its official comment, Texaco said it was proud that dealers from 28 states testified that they were under no coercion.



man-on-the-spot *in Rio de Janeiro*

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Multi-Line Plans for Daimler?

Acquisition of BMW's production lines is latest move by West German maker of luxury cars.

Last week, big West German auto maker Daimler-Benz AG proposed to take control of Bayerische Motorenwerke AG (BMW) of Munich—a competitor that's having financial problems—and use BMW production facilities and skilled labor to produce Mercedes-Benz cars.

Observers in West Germany believe that Daimler's proposal is the latest move in an ambitious plan to build up a General Motors-type complex that eventually will offer the fullest line of any auto maker in the Common Market.

The more immediate reason for the move is to relieve the shortage and loosen the tie-up in Daimler's production line. In thriving West Germany, with its upgraded consumer tastes and buying power, the smart and relatively expensive Mercedes-Benz—the nation's prestige car—is selling so well that Daimler is a year behind in delivery in some models.

• **Big Backlog**—Mercedes-Benz has had the same success in this country that it enjoys at home. Last year, Daimler exported 7,600 cars to the U.S., and this year will sell between 13,000 and 15,000 here. Americans—leading foreign buyers of Mercedes-Benz—probably would have ordered more but for the lag in delivery. There is some demand here for Mercedes sports cars, but the major portion of sales are sedans.

At the end of June, the company had a backlog of 50,000 auto orders, up 86% over a year ago. Commercial vehicles are running 32,000 behind—a backlog of 80% over last year.

• **Controlling Interest**—Daimler-Benz and a consortium of banks propose to bail out BMW in return for controlling interest in the company. BMW shareholders will vote on the offer Dec. 9. If the deal goes through, Daimler will discontinue BMW's high-priced line and shift BMW plant facilities to turning out Mercedes-Benz.

Small stockholders are objecting, but there is little chance that the bid will be rejected. BMW management says they must approve or see the company liquidated.

• **Top Sales**—Consolidation of BMW into the Daimler-Benz group will give Daimler the top sales figure in the West German auto industry. Daimler already owns 88% of Auto Union, a producer of small cars, vans, and Jeep-type vehi-



FRIEDRICH FLICK is Daimler-Benz' controlling figure. A prewar industrialist, he took over the company in 1955.

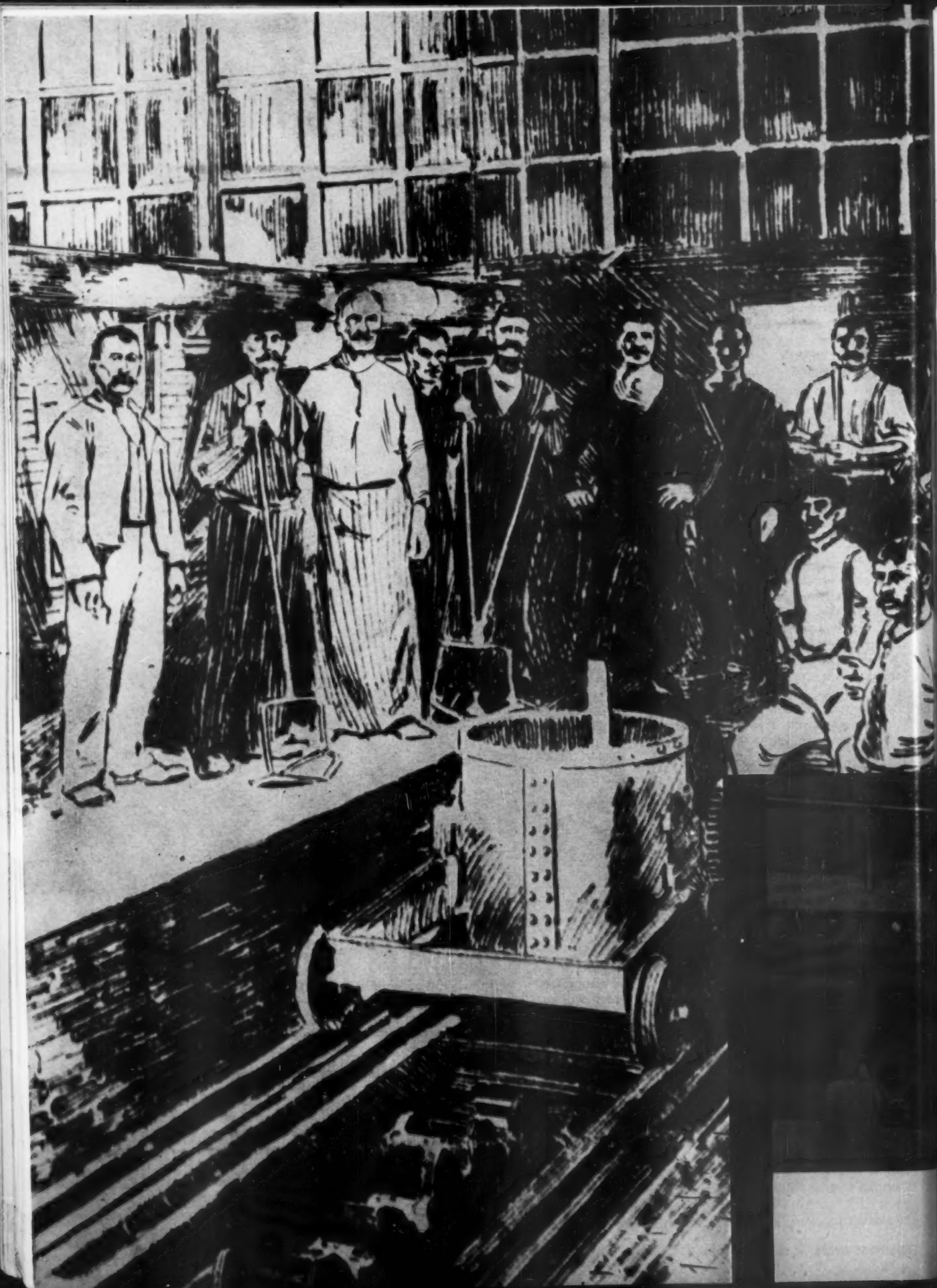
cles. Daimler also has a big business in diesel trucks. Over-all sales for 1960 are anticipated at close to \$900-million, which will make it, along with British Motor Corp. (1958 sales \$770-million) among the largest auto companies outside the U.S.

Although it will be first in sales, Daimler-Benz will remain in third place in terms of production. Volkswagen keeps a strong grip on first, with 42% of all West German cars produced. Opel, the General Motors' subsidiary, is second with 25%. Daimler-Benz is third with about 18%.

The difference, of course, comes in the price of the cars. A Mercedes-Benz costs two to three times as much as a

Volkswagen. Volkswagen sales were \$647-million in 1958, and probably will top \$700-million this year. Opel does not release sales figures.

• **The Consortium**—Behind the move to give Daimler-Benz the dominant voice in BMW are two of West Germany's shrewdest businessmen. One is Friedrich Flick (picture), Daimler's largest single stockholder and its controlling figure. A prominent industrialist in pre-war days, he was convicted as a war criminal at Nuremberg. Through Daimler-Benz, Flick also has an interest in Studebaker-Packard Corp. The two companies have reciprocal licensing and sales agreements. Moreover, Daimler has invested in S-P con-



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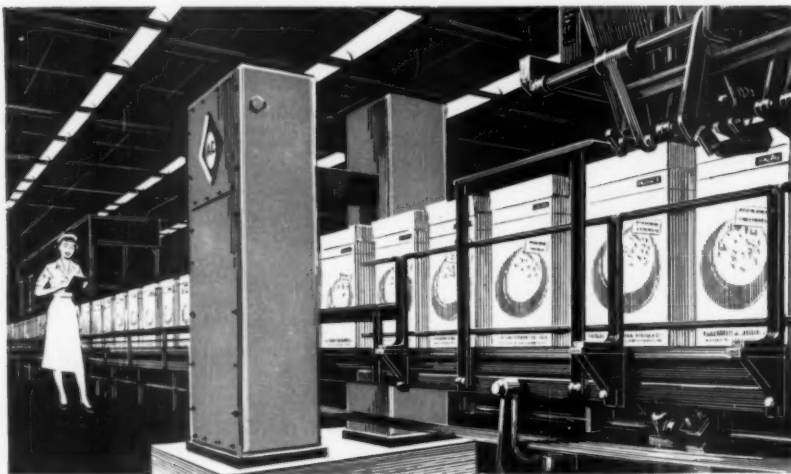
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vertible debentures that fall due in 1961-62. If Flick should convert before then, he will hold an estimated 12% of the U.S. company's stock.

The second man is Hermann J. Abs, head of the Deutsche Bank and a leading international banker. Abs also is chairman of Daimler's supervisory board.

Flick and Abs lead a consortium that includes, besides their two companies, two state-owned Bavarian banks. They propose that BMW issue to the consortium new stock worth \$16.7-million, bringing BMW's total share capital to \$20.2-million. Daimler-Benz will put in about \$5-million and get a 25% "blocking vote." BMW would use the funds to pay off debts of between \$12-million and \$15-million and to revitalize working capital.

The consortium will guarantee present BMW stockholders a 6% dividend for three years, the first they have had since the war. It also promises that BMW will retain its corporate identity. But present top management is almost certain to go.

• **BMW's Plight**—BMW's difficulties date back to the loss of its principal factories in East Germany after the war. Then it stayed too long in motorcycle production, and couldn't mount sufficient production when it moved into the small car field. The company poured vast sums into an eight-cylinder car that competed with the Mercedes-Benz. Unable to cut costs on this car or to generate capital to modernize, it was caught in a downward spiral.

If Daimler assumes command at BMW, it will cut out this eight-cylinder sedan, but retain a small four-seater and the one-cylinder, two-seater Isetta.

Daimler plans to place at least \$24-million in orders with BMW, whose Munich production lines are estimated to be 40% idle now. Daimler is particularly happy to acquire BMW's 6,000 skilled workers. With the labor situation so tight in West Germany (BW—Oct. 24'59, p105), it's almost impossible to expand without taking over another manufacturer to get his labor.

• **Filling a Gap**—As a step in empire building, the two BMW models won't add much to the Daimler-Benz line, which now includes two series of four five-passenger cars each and three two-seater sports cars. Auto Union produces a three-cylinder line that includes a four-seater, a five-seater, and a sports car. Daimler exports 45% of its production, mainly to North America.

The gap in the Daimler-Benz complex comes in the middle and at the very top. The company may resurrect a medium-priced, medium-sized car that BMW had on the drawing boards but couldn't finance. Another possibility—and one that observers of Flick favor—is a partnership with a French

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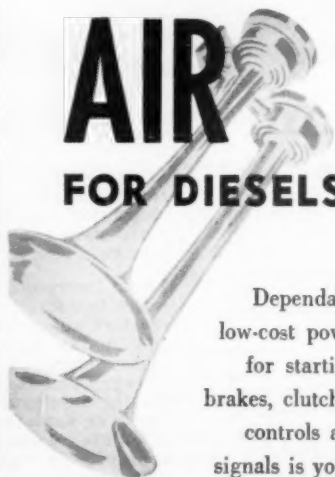
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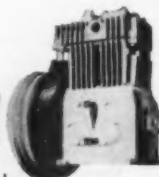
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or Italian company already making the car Flick wants. That would cut the cost—and Daimler is in no position to put more work on its overloaded production lines.

Daimler's urge to add a true luxury car is rooted in such prewar models as the eight-cylinder, supercharged 180-hp. limousine with a top speed of 106 mph., and the "Great Mercedes," a 230-hp. model that retailed at \$20,000. Both cars were in the Rolls Royce tradition.

Opel, seeing increasing competition from Daimler-Benz, is thinking of introducing new models.

• **Family Tree**—Daimler-Benz, as an auto maker, goes back to 1885, when Gottlieb Daimler, of Stuttgart, and Karl Benz, in Mannheim, independently built some of the first automobiles. Daimler-Benz AG was formed in 1926 through a merger. Ten years later, the company put the first diesel passenger car into production. In September, 1958, when the 100,000th 180D (for diesel) rolled off the line and a second model was added, Daimler-Benz was still the world's only large-scale diesel passenger car producer.

• **Flick's Career**—Flick came into the operation only recently. Before the war, he had large holdings in iron and steel and coal. A deconcentration decree forced him to sell his coal holdings. But it also gave him \$40-million, which he used—as a springboard.

Today, besides his auto interests, Flick heads an industrial empire that includes machine building, metalworking, paper, cellulose, aircraft, chemicals, plastics, and steel and iron works in West Germany, Belgium, and France.

In 1955, Flick secretly amassed 25% of the outstanding shares of Daimler-Benz before revealing his hand at a general stockholders' meeting. Then he put himself, and later his son and a cousin, on the supervisory board. Through Daimler, he took control of Auto Union in 1958. When satisfied the company was in good shape, he had Daimler-Benz buy 88% of its shares.

• **Sideline**—A lucrative part of the BMW package is a fully owned subsidiary, BMW Triebwerke GMBH—which manufactures airplane engines. It has been turning a nice profit with maintenance and repair contracts with the U. S. military.

In 1957, as a condition for a West German defense contract, the federal government demanded a separation of parent and subsidiary until 1962. What will happen to the subsidiary now is not clear. General Electric reportedly is interested. But with Flick's other aircraft interests and a resurgence of airplane manufacture in West Germany, he probably will see that BMW retains full ownership and regains operating control. **END**



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olivetti

Carolina Woos the Rich European

An aggressive group of North Carolinians, led by Gov. Luther Hodges, crosses the Atlantic to lure investors and manufacturers.

For the last several years, hundreds of U.S. businessmen have been practically commuting across the Atlantic in search of European investment and manufacturing opportunities. Last week, a delegation of North Carolina manufacturers, bankers, shippers, and state officials was on the Continent for an opposite reason—to attract investment by European industry to their state.

At the head of the 68-man group was Gov. Luther H. Hodges, once a vice-president of Fieldcrest Mills, Inc. The governor is an experienced hand at soliciting new industry for North Carolina in U.S. cities such as New York, Philadelphia, and Chicago. He is also familiar with the European scene, thanks to a 1950-51 stint with the Industry Div. of the Economic Cooperation Administration. In that job, he parceled out \$300-million in Marshall Plan funds to West Germany.

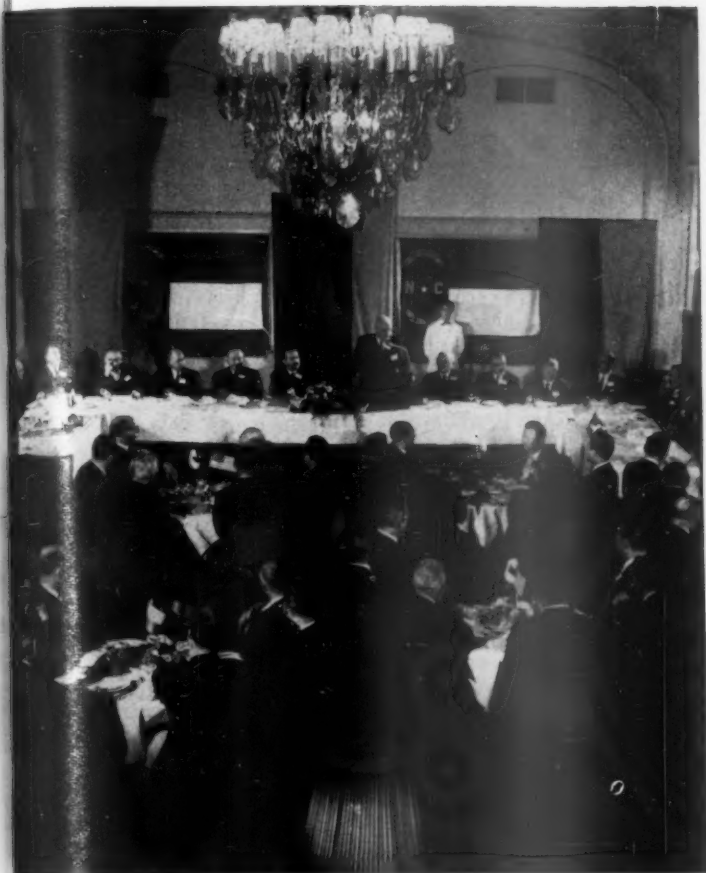
• **Achievements**—The hectic day spent by the travelers in Munich (pictures) is a sample of their efforts to reverse the investment flow. In all, Hodges and his team put North Carolina's case



IN MUNICH at a bank cocktail party for the visitors, German-born M. A. Arnold (left) discusses needs of North Carolina concrete business with a bank director.



GEAR PLANT executive Walter Geissler (center) displays machinery to lumberman Voit Gilmore and textile man Dr. Henry Jordan (right).



LUNCHEON at Munich's Bayerischer Hof gives Gov. Hodges a chance to extol his state. As host, delegation paid for such gatherings.



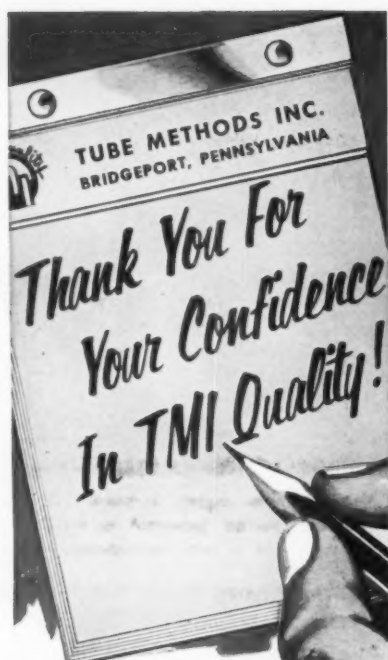
UTILITY MAN Norman Cocke (right), a director of Duke Power Co., outlines market potential to Kurt Hanisch, executive engineer of a relay manufacturer.



PORTS AUTHORITY Executive Director D. Leon Williams (left) chats with a saber-scarred bank director. The group tried to promote use of North Carolina ports.



GOV. HODGES tells Hans Klepper, a manufacturer of camping and sporting goods, that North Carolina, unlike Germany, has plenty of workers available.



■ On the front lines of atomic research, on the seaways and the airways, in the toughest of instrumentation's designing, TMI tubing is at work for the finest names* in metalworking. You have identified our special talents in precision drawing of small diameter tubing with successful solutions to the greatest challenges man dare's to give to tubing.

■ You have made it possible to identify the TMI trademark with the industrial giants, with the imaginative leaders of American industry, with the assembly lines that keep your reputations secure by building the best with the best.

■ To be in your company is to be on our technological toes day in and day out. You never let us relax but you do know how to win the enthusiastic cooperation of the entire TMI organization. That cooperation includes a sincere "Thank You" for letting us help you.

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AFTER VISIT to gear plant, Gilmore, who is member of State Conservation & Development Board, dictates report to be airmailed home.

before 1,000 European businessmen and officials—in London, Amsterdam, Rotterdam, Hamburg, Stuttgart, Frankfurt, Munich, Zurich, Paris, and Brussels. By the time they left for home last weekend, they could report tangible results, including:

- A British textile company is sending representatives to North Carolina within 90 days to study the possibility of opening a branch plant. It would employ "several hundred people" and perhaps swap knowhow with a local manufacturer.

- A large British chemical group is planning to investigate the research potential of the state's so-called Research Triangle—an area with Duke University, the University of North Carolina, and North Carolina State College as its three corners.

- Three big European exporters, including West Germany's Daimler-Benz (page 135), seem ready to shift some of their business from New York to North Carolina's two seaports, Wilmington and Morehead City. In this category, the delegation obtained its firmest commitments.

- **No Gimmicks**—In their sales pitch, the governor and his companions offered no gimmicks such as tax concessions or low-interest loans. They relied instead on descriptions of North Carolina's pool of 160,000 workers available for industry, its natural resources, transportation network, and research facilities. Several times Hodges pointed to the three international manufacturers of electrical equipment producing in the state—General Electric, Western Elec-

tric, and Westinghouse—and cited their \$250-million annual purchases of machine tools outside North Carolina. "Anyone who can produce close-tolerance machines has a ready-made market," he would add.

In his talks with European prospects, the governor stressed North Carolina's rich potential for the electronics, light metalworking, precision instrument, and close-tolerance machine industries. His list of likely fields also included paper and packaging, chemicals, automobile assembly, and plastics. On the statistical side, he crowed about the \$250-million invested in the state's industry last year—a 32.5% increase over 1957 in a period when capital spending for the nation was slumping 17.4%.

- **Early Arrivals**—There has already been sizable European investment in North Carolina, of course, and the group pointed to it as precedent for more. Earlier arrivals include American Enka Corp., a branch of Holland's AKU, with a big synthetic fiber plant; a Seifert hosiery mill from West Germany; American Thread from Britain, and, most recently, a big new synthetic fiber plant that is a joint venture of Britain's Imperial Chemical Industries and the U.S.' Celanese Corp.

The campaign to woo still more European investors was first discussed seriously last spring. At the time, Hodges thought the aftermath of the recession might dim the effectiveness of a try at recruiting industry elsewhere in the U.S. Europe looked like a good bet because of its resurgent prosperity and economic muscle. Last July, the proposed trip won tentative approval from the North Carolina Ports Authority. Then the problem became to keep the contingent from doubling in size. There was so much demand that the number was finally increased from 50 to 68.

For their travels the delegation divided into two sections at London. One group visited Amsterdam for two days while the other made follow-up calls in Britain and then moved to Stuttgart. They rejoined in Munich, where again one section stayed behind for follow-ups while the other proceeded to Zurich. The final reunion was in Paris. Meanwhile, a small task force headed by Hodges touched down at all cities visited by the others and also called at Hamburg, Brussels, Rotterdam, and Frankfurt.

- **Port Booster**—All along the way, Hodges pushed North Carolina's ports as much as its virtues for investment. In Zurich, for example, he discovered an exporter of textile machinery parts who maintained his agent and warehouse in New York even though 75% of the parts went to North Carolina customers. "Why, this man didn't even know we had ports in North Carolina," the governor said later. **END**



Upper right corner shows first section of 5,000 acres of Planned Industrial Parks in the shadow of Dallas Skyline

Why More New Industries Chose Dallas Than Any Other Area...

More new industrial plants were established in Dallas Metropolitan Area during last nine months of 1958 than in any other Area — more than in combined areas of New York, Detroit, Washington, Buffalo and San Diego, according to Industrial Development and Manufacturers Record.

Why this great move to Dallas? . . .

1. Dependable Business Climate — business-minded local and state governments that nurture true American enterprise.
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In Business Abroad

• • •

Senate to Weigh "Tax-Sparing" Deal To Aid U.S. Investors in India

U.S. investors in Indian ventures may get a precedent setting tax advantage under terms of a treaty signed with India last week. It's designed to encourage U.S. private investment in India.

The new arrangement, called "tax-sparing," exempts companies from U.S. taxes on income generated through tax waivers granted by the Indian government to attract privately owned industries.

The Senate must ratify the pact before it becomes law. Administration officials are optimistic, although they expect some sharp opposition. Earlier this year, the U.S. signed a similar treaty with Pakistan but the tax-sparing provision was stricken by the Senate on a technicality.

The theory of tax-sparing is controversial. Proponents argue that it will spur U.S. investment in underdeveloped areas when coupled with a specific tax incentive by a foreign government. Opponents say it would put an unnecessary drain on the U.S. Treasury.

The State Dept. has five more tax-sparing agreements pending with countries in Asia, Africa, and the Middle East. Talks with still other nations, including several in Latin America, are in the works.

• • •

Japan's Two Largest Steel Companies Get \$44-Million in World Bank Loans

Japan's two largest steel companies this week borrowed a total of \$44-million from the World Bank to help finance modernization and expansion.

The Japanese steel industry is in the midst of its second major expansion program since World War II. It intends to increase capacity from 11.1-million tons to 20.5-million tons by 1962 and to reduce costs by introducing more up-to-date production techniques. It is also expanding pig iron capacity so that the nation will not become more dependent on imported scrap.

Yawata Iron & Steel Co., Ltd., the country's No. 1 steel maker, will use \$24-million to cover part of a \$117.6-million project for full integration of a plant in northern Kyushu. Fuji Iron & Steel Co., Ltd., is spending \$75.3-million, of which \$20-million came from World Bank, for a blast furnace, sintering plant, slabbing mill, and other facilities to expand production of plate and sheet.

• • •

Costa Rica Wants to Beat Old Guns Into New Farm Tractors

Costa Rican Pres. Mario Echandi Jimenez threw a neat curve in the international arms trade (BW-Sep.19 '59,p94) this week when he disclosed he is seeking to sell

surplus arms in the U.S. Weapons, surplus or otherwise, more often than not move from, not to, this country.

Moreover, the move—the fulfillment of an election campaign pledge—will turn excess swords into plowshares. Costa Rica plans to buy farm tractors with the proceeds.

Whether the guns are truly surplus is a question. Many are militarily obsolete, being Remington Rand single shot rifles made in the 1890s. The Russo-Japanese War of 1905, fought largely with repeating rifles, put the single shot models out of style.

A U.S. arms dealer, Interarmco, Ltd., of Alexandria, Va., has offered to buy the weapons. If the deal goes through, the company will sell them in this country through department stores and hobby shops to hunters and collectors for \$15 to \$20 apiece. The Costa Rican legislature and the State Dept. must still approve the transaction, which will amount to \$50,000 to \$75,000, depending in part on number of weapons sold.

• • •

Two More U.S. Companies Sign Up To Hunt for Oil in Australia

More U.S. companies have joined the search for oil in Australia. Union Oil Co. of California and the Kern County Land Co. this week announced a joint program of exploration for oil and gas in a 60,000-sq.-mi. area of southwestern Queensland and northern New South Wales.

The two U.S. companies have arranged to carry out the search on land held by the Australian Oil & Gas Corp. Ltd., of Sydney, which will get 20% of any profits. A deep test well will be drilled in 1960.

Several other U.S. companies are now operating in the area but none so far has struck enough oil to warrant commercial exploitation.

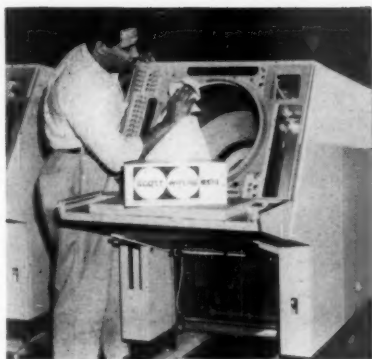
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Business Abroad Briefs

Finland will not apply for membership in Europe's "Outer Seven" free trade group. Officials said this week a most-favored-nation clause in the present agreement with Russia presents difficulties in joining a free trade area. Finland hopes to participate on a non-member basis.

Perkins Outboard Motors, Ltd., an English company that manufactures for Oliver Outboard Motors, will attempt to break into the U.S. market next year. It has cut prices as much as 20% and plans a sales drive for early 1960. But prices will still be slightly higher than comparable motors in the U.S., a factor that may be detrimental to sales.

British European Airways is reducing its tourist fares, effective next spring. Still subject to government approval, the cuts will apply on routes between London and France, Greece, Italy, Spain, Portugal, and parts of Austria and Germany.



More than 5,000,000 manhours without a lost-time accident—a direct result of management's insistence on absolute cleanliness in the plant. All assembly line personnel are provided with disposable Scott Wipers and encouraged to wipe hands and faces often. This practice reduces the possibility of dermatitis.



A box of Scott Wipers placed between every two assembly workers saves space for essential tools and the component being assembled. Employees can then devote full attention to their work and lessen the chances of accidents caused by inattentiveness.



Scott Wipers soak up oils and coolants at machinery, remove excess solder during "harness lacing," scoop up dust and foreign particles from assemblies. Used wipers are collected and incinerated daily to keep floors free of materials on which employees could slip and fall.



Mr. Robert J. White, Supervisor—Safety and Security, Crosley Division, Avco Corporation, Evendale (Cincinnati area), Ohio, buys Scott Wipers because:

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Mack trucks form a vital supply line for shopping centers everywhere. **And Mack dependability doesn't stop there!** Mack trucks maintain the surrounding roads, winter and summer. Mack fire engines protect the entire area. And Mack buses allow the housewife to begin and end her shopping tour in roomy, Air-Glide comfort.

Let Mack users tell you how

Balanced Design Pays Off On Workaday Jobs



"Early Winter Morning at the Shopping Center"

Balanced Design is the basic reason why Mack trucks are the most durable, dependable and economical made—for unusual jobs or workaday jobs.

Balanced Design is the advanced engineering concept in which all major Mack components are designed to work in unison... in which engine, transmission, differential and other working parts are made and integrated by a single manufacturer—Mack... in which the unmatched efficiency of Mack engines is maintained straight down the power train to the driving wheels.

It's exclusive. All other truck makers buy some or all the major components they offer you. These parts cannot all be designed to work together for smooth, efficient long life—as are Mack's.

Balanced Design helps explain why Macks are still in peak condition when other trucks need replacing. Ask any Mack user—large or small.

Here's what one Mack user will tell you:

"We run many makes and models. But our cost sheets, our maintenance men and our drivers all tell us that our Mack diesels give the finest service at the lowest cost per mile. They're setting new standards for fuel economy, up-keep savings, driver comfort, durability, steady schedules, and dependable deliveries." *A statement from one of the nation's best-known trucking systems. For name and full facts, write for reprint 6273.*

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REPUBLIC

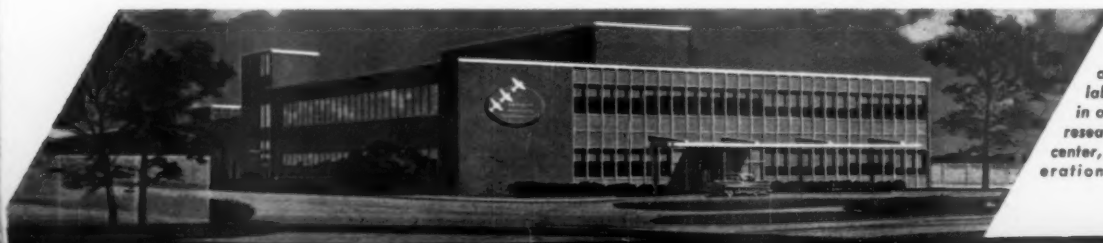


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Experiments being carried out in Republic's preliminary laboratory will be housed in our new 14 million dollar research and development center, scheduled for operation early in 1960.

INTERNATIONAL OUTLOOK

BUSINESS WEEK

NOV. 21, 1959



The Administration views the Western search for an accommodation with Moscow as a long-range proposition. Secy. of State Herter said as much this week in his speech to the National Foreign Trade Council.

When Herter talked about the conditions for "co-survival"—his substitute for Khrushchev's term "co-existence"—he underlined the need to evolve a new, common language for East-West exchanges. It would take some time to achieve this, he said, and to establish a new set of international ground rules for the atomic age.

If this is the perspective, Pres. Eisenhower probably won't have a chance to do more than break the surface ice of the cold war before he leaves office. Still, both Eisenhower and Herter believe it is important to get that much done in the next year.

Eisenhower's problem is complicated by the new political balance that has developed in the West. The governments of Western Europe no longer follow Washington's lead automatically in dealing with Moscow. Our NATO allies have achieved enough economic independence to demand considerable diplomatic leeway of their own.

Pres. de Gaulle, backed by Chancellor Adenauer, has made it clear that he will set his own pace for coming to terms with Khrushchev. The pace is slower than Eisenhower would have liked. Some of the conditions may be different, too. Earlier, Prime Minister Macmillan showed that he was capable of moving out ahead of the U.S. in seeking agreement with Moscow.

Our bargaining position—within the Western camp and vis-a-vis the Russians—won't be strengthened by talk in Washington of bringing two U.S. divisions home from Western Europe. This would be a move—like the "tying" of foreign aid funds—to trim our balance of payments deficit (page 28).

Such a troop withdrawal probably isn't imminent. It would depend largely on whether our NATO allies are willing to increase their own troop strength—a question that's due to come up at next month's NATO conference.

In Latin America you already can see what the Russians mean by competitive co-existence. Official intelligence reports show that Moscow has a double-barreled program there. It is stepping up its bid for favor at the grass roots level as well as making economic overtures to Latin American governments.

Soviet Deputy Premier Mikoyan is in Latin America this week talking up the opportunities for trade with Russia. He also is trying to clear the way for Soviet diplomatic relations with a number of Latin American countries. (Nominally, Mikoyan made the trip to this hemisphere to open the Soviet Exposition in Mexico City—the same one staged in New York early this summer.)

Moscow has just bought a large quantity of sugar in Cuba, thus helping Castro out of a jam. At the same time, Soviet officials are getting set to welcome a trade delegation from Brazil.

U. S. officials are trying to offset Mikoyan's trade efforts. In informal 151

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

NOV. 21, 1959

talks with Latin American diplomats, they are cautioning against one-shot trade deals, saying these could result in hurting rather than helping Latin American economies.

Meanwhile, the State Dept. is anticipating new "anti-Yanqui" demonstrations in Panama, Venezuela, and elsewhere. State figures these will be exploited—if not actually fomented—by Soviet agents.

Some policymakers in Washington are seriously worried by the possibility of big Soviet economic moves in Latin America, as well as by the sad state of our relations with the area. They see an urgent need for some forceful counter-action. **There is even talk of a dramatic move toward hemisphere economic unity.** The idea, which doesn't seem to make much economic sense, is to start working toward a common market of the U.S., Canada, and Mexico. Then, some day this could be extended to other Latin American countries.

—●—

American and British businessmen are bidding against each other for the chance to build a synthetic textile plant in Russia.

Competing for the Soviet order on the U.S. side is a consortium of 30 companies, represented by Intertex International Corp. The British opposition is coming from the Platt Bros. group.

Intertex chief Sidney H. Scheuer is in Moscow trying to sign the deal for \$27-million. But the British have underbid this price, reportedly by 30%. Moreover, they can offer three- to five-year credit terms, while Scheuer has been asking cash on the barrelhead.

Scheuer, a long-time advocate of East-West trade, already has sold the Russians \$13-million worth of textile equipment and services—for a tufted carpet plant, a worsted yarn factory, and three high-pile fabric manufacturing plants.

—●—

With the seven-nation Free Trade Area almost set to go, the six members of the Common Market are arguing among themselves over how to maintain their advantage over the "Outer Seven."

The Belgians want to cut the timetable of the Common Market so that it will be complete by 1965, instead of 1970. The Italians have proposed that tariffs be cut by 50% during the first four years of the scheme, instead of by 25%. Now the French have come up with a proposal which seems aimed both at the Free Trade Area and at France's overeager partners in the Common Market.

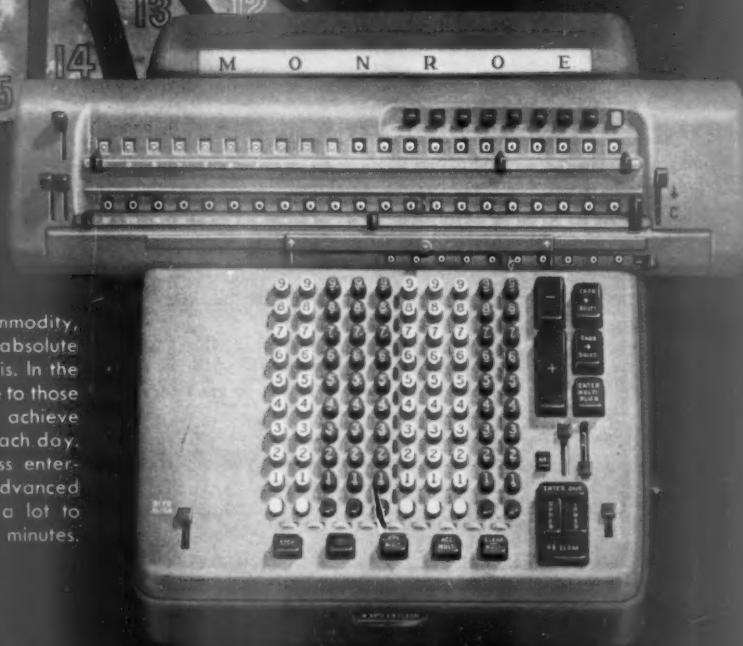
The French propose a 20% tariff cut in the Common Market for mid-1960, instead of the scheduled 10% cut. This would make it more difficult for the Free Trade Area nations to keep step with the Common Market.

But, at the same time, the French want the low-tariff Common Market members—Belgium and the Netherlands—to begin raising many of their tariffs. This would start bringing the Belgian and Dutch rates into line with the eventual common tariff, which is to be the arithmetical average of current high and low tariffs throughout the Common Market area.

Thus, the French are making any speedup of their own tariff cutting conditional on a speedup of tariff increases by Belgium and Holland—an idea that doesn't go down well with the Belgians and the Dutch.



All the time there is...



In the use of life's most precious commodity, time, we start each new day on absolute equality. Each of us has all there is. In the world of business, the rewards come to those who use time most effectively, who achieve the most profit-making minutes in each day. The world's most successful business enterprises have learned that the advanced MONRO-MATIC Calculator does a lot to provide these extra profit-making minutes. Companies like:

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It grows best when it is healthy.

That's why the men of the Continental have interests that go far beyond the immediate balance sheet.

For we can grow only when our customers grow.

To help plants grow, we often help solve problems of manpower, shipping, real estate, raw materials, as well as financial problems.

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If you have a business that's growing, why don't you talk to the men at the Continental?

**CONTINENTAL
ILLINOIS** NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

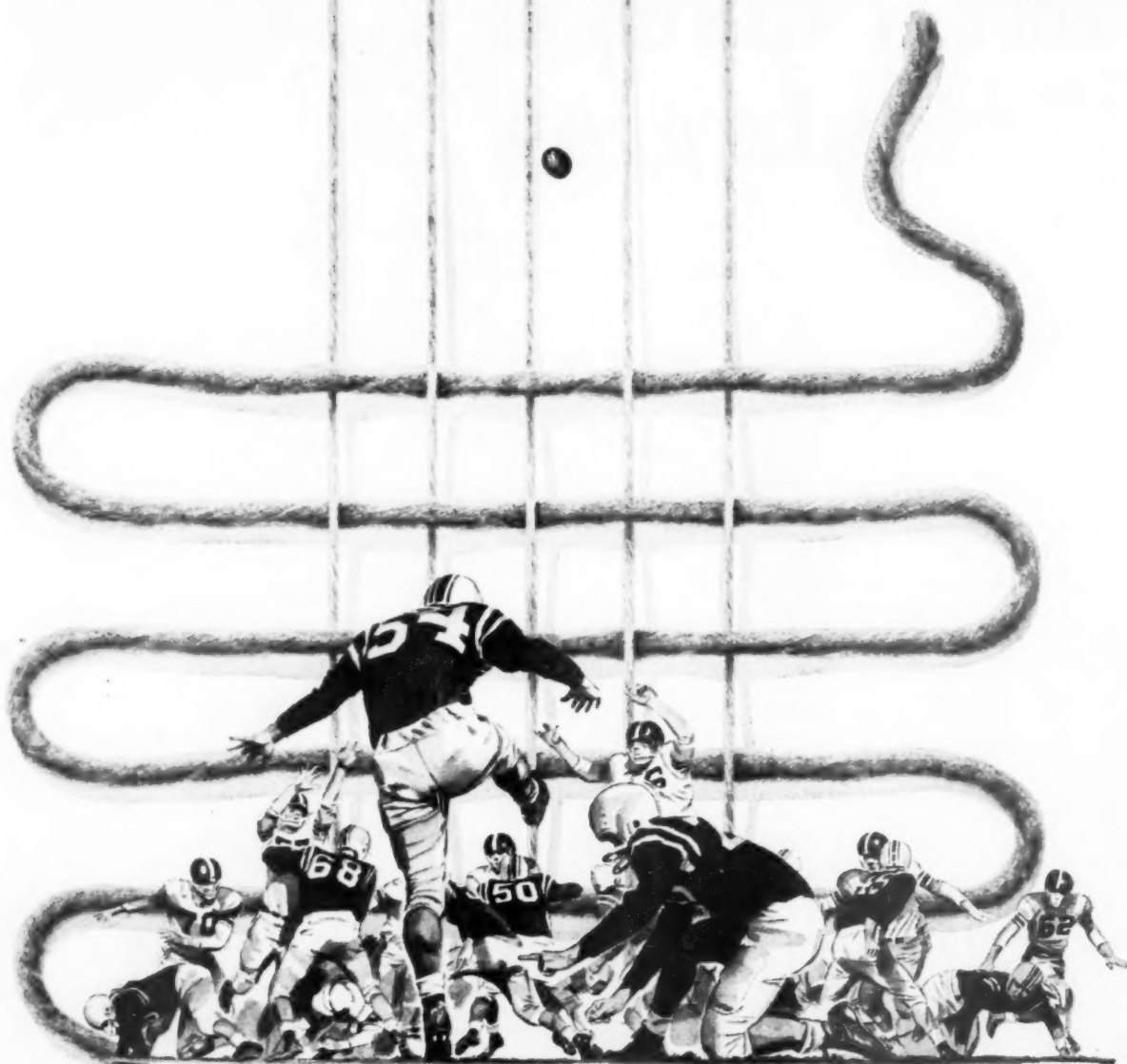
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Only pros make the team. The greatest aggregation of textile "pros" has helped Burlington to achieve world textile leadership in only 36 years.

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THE MARKETS

Investors Are Waiting to See

Before the steel strike, optimism was widespread, but stock buyers are now unsure over the course business will take.

This week, the stock market had a case of the jitters, attributed to a variety of causes—tax selling, uncertainty over the steel settlement, and the high yields now prevailing in bonds.

At midweek, the Dow-Jones industrial average was just over 640, gaining back some of the ground it had lost in the past 10 days. But it was still some 40 points below its all-time high of Aug. 3. The more comprehensive Standard & Poor's industrial index (chart) was also lower: It dropped to 61.72 from its peak of 64.56 in July.

From the assortment of factors contributing to the market's weakness, it's clear that it isn't entirely healthy. Says one analyst: "Investors seem to sense that all is not well without knowing exactly what is wrong."

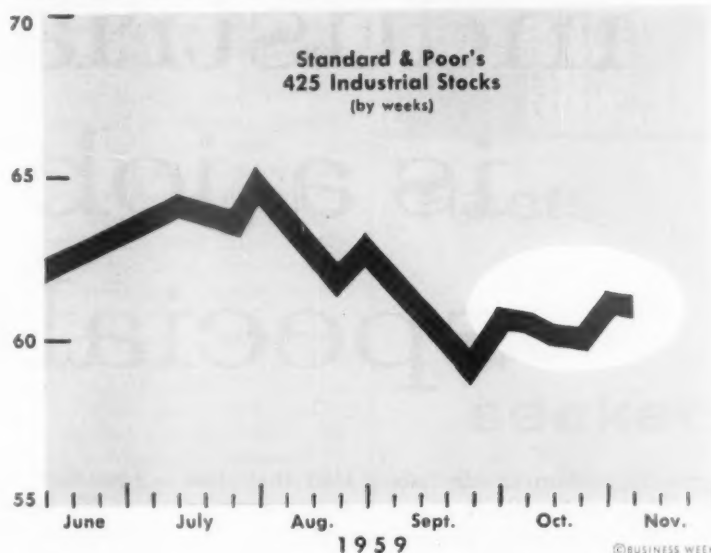
• **Narrow Range**—This doesn't mean a sharp break is imminent. The market may fall further—perhaps past the 615 low hit in September. But most of the professionals tend to rule out an abrupt, prolonged decline. At the same time, they don't see any big new rise. Most of them expect stocks to break through the 680 peak before the current bull market really turns sour, but without the powerful, sustained advances of 1958 and early 1959.

Instead, market averages will probably persist in the thin trading range that has prevailed for most of the last six weeks. Some individual groups and stocks may shoot up or down, but the average as a whole is likely to be more stable than at any time since late 1957—when investors were also undecided about the trend of the economy.

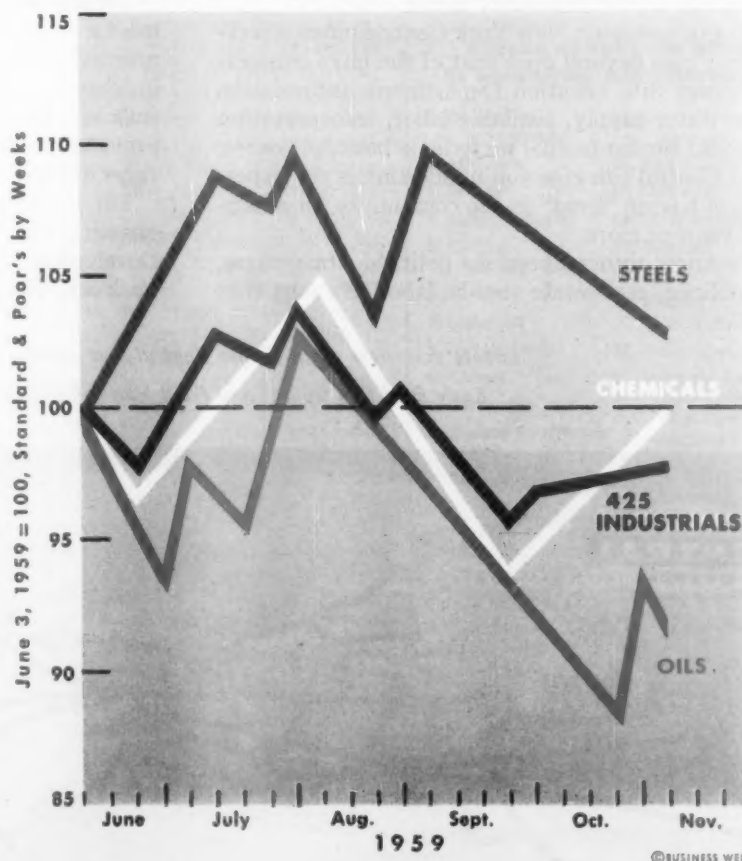
• **Indecisions, Indecisions**—Before the steel strike, investors were convinced a new boom was beginning. But the mill shutdown distorted the outlook, and Wall Street brokers say investors are completely revising their thinking. Some experts sensed a shift toward more caution two months ago (BW—Sep. 19'59, p. 171). Now most of them are convinced that investors are steering a middle course.

Brokers also note that the market is more of a trading market than it has been since early 1958. Investors are stepping in and out of stocks more frequently than during the straight-line price rise of 1958-59. Meanwhile, the institutional investors are either hugging

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the sidelines or venturing somewhat timidly into bonds. These factors help explain the market's increased susceptibility to little flurries—and sharp breaks.

• **Sanguine Voices**—All but the most pessimistic, however, insist that the great bull market of the past few years is not yet over. They are confident that continued expansion of the economy will push stock prices to new highs—although, they claim, the steel strike has probably postponed the peak until sometime next year.

Research analysts at Tri-Continental Corp., the big investment company, sum it up this way: "The market as a whole is at a high level . . . in terms of yields and price-earnings ratios. And for the last six months of 1959, earnings will be lower than originally projected because of the strike's effects. This will undoubtedly mean fewer dividend increases and extras. Nevertheless, there would seem to be no strong reasons for a major decline in stock prices. Instead, there would appear to be reasons why prices should advance on a super-selective basis."

Among these reasons is the clearing up of some of the recent uncertainties. For instance, Khrushchev has come and gone without immediate impact on military spending. The money crisis feared in some circles has never really materialized. The Federal Reserve Board is keeping a tight grip on credit, but funds are available for legitimate needs. And the Treasury—by paying the going rate—has managed to raise new money.

• **Special Situations**—Tri-Con's predictions fit in with the general view that the market is developing into one of "special situations." There has been excitement about some individual issues, including American Motors, Fairchild Camera, Heli-Coil, Cubic, and Thiokol. But advances in these stocks have not affected the broad market at all. Analysts expect that the so-far fruitless bargaining in steel will stymie improvement in the averages despite successes of the glamor stocks.

Such a slowdown in stock price movements would be in dramatic contrast to the pattern of the past few years. From early 1958 until last summer, prices rose in almost a straight line, punctuated only by a series of 4% drops. Then, in August, the market started taking sharp spills that added up to 40-points, or an 8% break.

As analysts see it, this pattern of wider swings would have continued, with the gyrations more frequent, if the steel strike hadn't continued so long. Now the new uncertainty over business calls for a "wait-and-see" approach instead of outright selling, the pros say.

• **Still in Vogue**—Despite this caution,

brokers are quick to point out that stocks aren't out of favor the way bonds were during the 1953-59 boom in equity prices. But the fervor for stocks has definitely cooled. It's also obvious that there's no longer a shortage of common shares—a factor making for higher prices in the past. Supply and demand are in better balance, partly because institutional investors aren't bidding up prices, partly because of the increase in equity financing this year.

With these facts in mind, the pros weren't surprised by last week's decline in prices. Bache & Co.'s notice to its customers was typical of many: "The court ruling has done nothing to settle the major uncertainties which have been created by the steel strike. Therefore, after the first burst of enthusiasm, the market is likely to resume its discriminating approach."

Bache, among others, feels the market's technical position has tended to deteriorate and that this is likely to depress the whole list further. But it, too, believes that individual issues will outperform the "irregular pattern likely to rule market action."

Arthur Wiesenberger & Co. goes along with this. But it points out that the risk on the downside is increased by tax selling and switching—which many claim will again reach the proportions of 1957 tax selling. At the same time, Wiesenberger feels that selective issues are within buying range, and it advises buying them before the usual year-end bulge in prices (December is ordinarily a bullish month, chiefly because in its later stages tax selling is eliminated as a depressing influence).

• **Investors' Pets**—There is broad agreement on which are the favored few stocks. The chemicals are a big favorite. Institutions bought them heavily in the third quarter; seven funds purchased Allied Chemical. There has also been a turn for the better in office equipment, tire and rubber, and airlines.

The steels, extremely popular in the third quarter, are now running into difficulty. Analysts feel they are still a sound buy for profits next year. But a minority—including one mutual fund, Delaware Fund, which started selling steels a few weeks ago—thinks "the big play in steels is over."

Meantime, oils remain in the doldrums. They will probably go lower under pressure of sales for tax losses. But some pros say privately that oils are now priced cheaply.

On other stock groups, there's wider divergence of opinion. Investment company activity in drug issues is staying firm, but some observers hold that the price-earnings ratios of some companies are getting out of line. The same holds true for electric and electronic issues—both popular now. **END**



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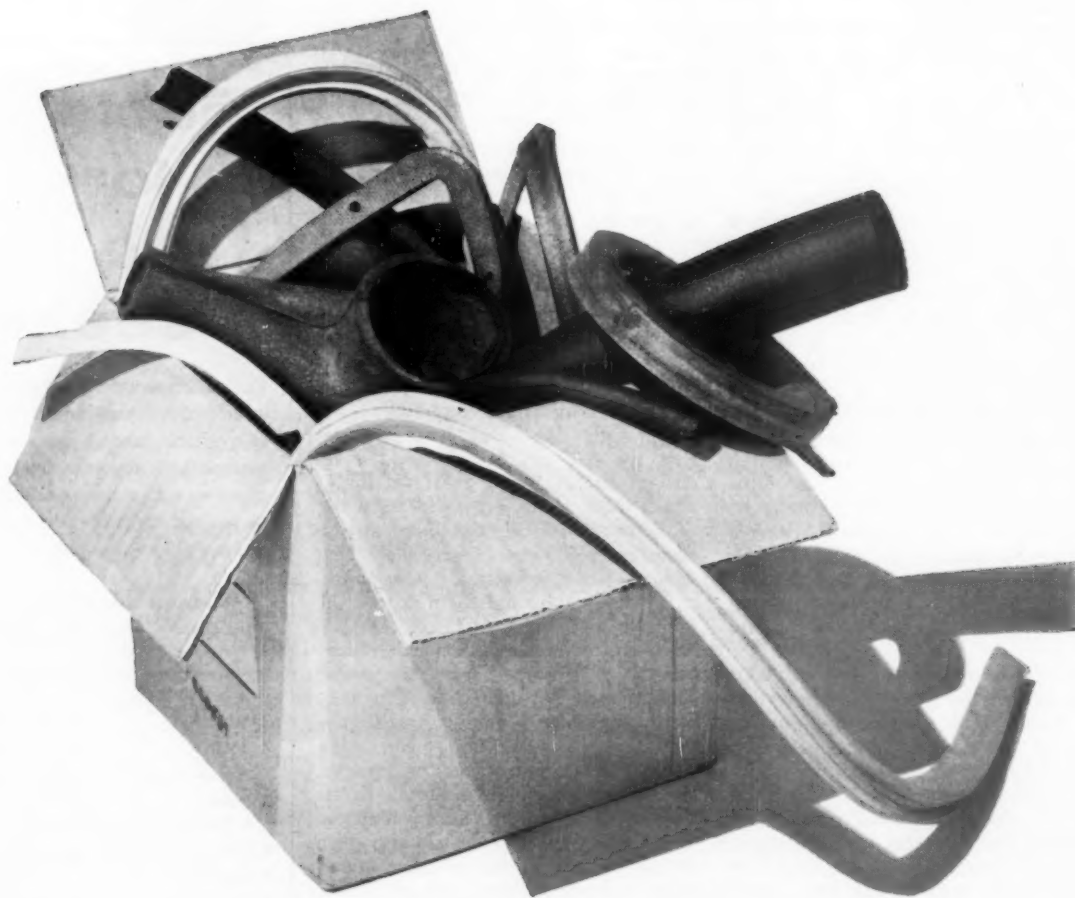
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In the Markets

. . .

AT&T Bonds Make Immediate Hit But Don't Carry All Markets With Them

American Telephone & Telegraph Co. had remarkable success with a \$250-million debenture issue this week. The bonds, sold to yield 5.22% to investors—the highest rate on an AT&T obligation since 1925—were “out the window” minutes after the offering. Demand was sufficient, in fact, to improve the tone of the entire corporate bond market.

U.S. securities, however, failed to respond to the stimulus. The 91-day Treasury bill rate soared to 4.332%—the highest since such bills were first sold in the late 1920s. The money market was tightening with the increase in demand for credit accompanying the resumption of steel production, and with new Treasury financing. This raised the prospect of still higher interest rates and touched off selling all down the government bond list.

The market for tax-exempt municipal bonds, on the other hand, moved up with the corporate market—though for different reasons. Dealers say there has been “healthy demand” for municipals from fire and casualty insurance companies and from trust companies. An increasing number of individuals have also been switching from stocks to tax-exempts. But one dealer cautioned that this is a day-to-day market, whose pattern could change.

. . .

London Stock Prices Lose Gains With Heavy Selling in Boomiest Issues

In London this week, stock prices, which had soared more than 16% since the British election just over a month ago, were hit hard. Share prices, according to the Financial Times common stock index, fell to 300 at mid-week, down almost 10 points in three days. Most of the selling was in the stocks that had risen the most since the election—steels, aircrafts, and autos.

Brokers said that a big factor in touching off the decline was a statement by Cameron Cobbold, governor of the Bank of England, about the “disquieting boom in equity prices on the stock exchange.” Cobbold implied, though he did not say so outright, that if the stock market continued to climb “too fast,” restrictive credit measures might be taken.

. . .

Pipeline Package of Debentures And Stocks Gets Warm Reception

A \$61.5-million package offering—\$40-million of 5% subordinated debentures and 2-million shares of common stock—by Transwestern Pipeline Co. was considered a success this week, though some dealers still had a few units on their shelves.

The offering was made in single units consisting of a

\$100 debenture and five shares of common. Each unit was priced at \$153.75—making each share of common theoretically worth \$10.75. Sweetening with common stock has been frequently used by natural gas companies, who find it makes financing that much easier. It has proved richly rewarding to investors who, on small margin, can buy a call on the common.

Analysts say that in today's market a 5% debenture doesn't swing much weight, and they expect the debenture to trade down to about 92 when the unit is split up. The hope is that appreciation in the common will more than make up for the slack in the debenture.

. . .

La Buy Signs G&M-du Pont Order And Companies Start Drawing Apart

Federal District Judge Walter J. La Buy this week signed the formal order which requires E. I. du Pont de Nemours & Co. to give up its voting rights in General Motors stock, and pass them through to du Pont stockholders (BW—Oct.10'59,p26). The move sent the stocks of both companies up—du Pont to 255, GM to 50½—and set off other actions:

- At the next GM board meeting, Dec. 7, five du Pont directors will resign from the GM board, including Walter S. Carpenter, Jr., du Pont chairman. Alfred F. Sloan, Jr., honorary chairman of GM's board and a du Pont director since 1923, resigned from du Pont's board earlier this week.

- Du Pont spokesmen said there would be no further requirements contracts signed between the two companies for the next three years, as Judge La Buy ordered. From now on, the spokesman continued, du Pont contracts with GM will be for just so many gallons of paint—or yards of auto fabric—for specific purposes and will have to be made each time GM foresees need for them.

. . .

Court Referee Favors \$750,000 Fee For Bank That Asked \$7¼-Million

The long legal battle connected with public sale of shares in Universal Oil Products Co. (BW—Jan.11'58, p50) this week appeared as far from settlement as ever. A referee in a New York State court recommended that Morgan Guaranty Trust Co. receive \$750,000 for its services in connection with the sale, which was consummated last winter.

A predecessor to the present bank, the Guaranty Trust Co., held the 2.9-million UOP shares as trustee for the Petroleum Research Fund of the American Chemical Society. Originally it had asked for \$7.25-million—in addition to the \$50,000 a year it received for managing the PRF's portfolio.

This request was one of the factors that set off the court fight. The New York Attorney General attacked the \$7.25-million fee as “excessive,” demanded that it be reduced.

Morgan Guaranty said that it would fight any court order setting its compensation at \$750,000.



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GOVERNMENT

What Ails the U.S. Tax System

The experts agree it's in bad shape. But when it comes to suggesting remedies, they are poles apart.

A parade of tax experts from universities, business groups, and labor began this week to pile up evidence that there is something grievously wrong with the federal tax system.

It's a task that will go on for five weeks in all, at a series of hearings of the House Ways & Means Committee. The committee seeks some way to simplify the system, lower income tax rates if possible, and still hold up total revenue.

By midweek, it was already plain that the experts will prove their point that something is wrong. But it was also plain they aren't going to agree on what the cure should be.

By default, the experts from private life are leaving the solution in the hands of the practical politicians who sit on the Ways & Means Committee. There is every sign that their hunt is in earnest one and that at this preliminary stage, at least, partisan politics is being kept in the background.

- **Mills' Theory**—Republican members of the committee are playing particularly active roles in the questioning of witnesses, often in support of points made initially by their Democratic chairman, Wilbur D. Mills of Arkansas. About half of the 24-man committee is attending the sessions, an unusually high turnout for a hearing held when Congress is not in session.

Mills is doing practically all of the questioning for his Democratic colleagues. He is emphasizing a theory of his own: that the only way to lower rates and continue to meet revenue needs is to bring additional income into the tax base (BW—Nov. 14 '59, p. 32). Altogether, some \$59-billion of income is now excused from taxation; if this were included in the tax base, personal income rates could be lowered one-third without cutting total revenue, the committee was told this week.

I. Questions and Answers

Mills is getting impressive support from many of the witnesses, but it's far from unanimous. A number of experts—Gerhard Colm, chief economist of the National Planning Assn. is one—do not accept the broad-base approach. Colm told the committee that some forms of special tax relief should be retained as a matter of national policy. He named research and development expenditures



PANELISTS (left to right) Neil H. Jacoby of the University of California, John C. Davidson of the National Assn. of Manufacturers, and Peter Henle of the AFL-CIO air their views on tax policy at hearings of the House Ways & Means Committee.

as particularly desirable, and also defended deductions for philanthropic gifts and extraordinary medical costs.

Colm does favor taxing interest on state and local government bonds, however. He would cancel the tax credit on income from dividends and looks critically on depletion allowances for oil and minerals. But on balance, he is skeptical of Mills' central idea that base-broadening should lead to substantial rate reductions.

- **Groundwork**—Mills spent the first two days of the hearings laying the groundwork for base-broadening, carrying even Colm and the other critical witnesses along most of the way. His method was to pose a series of questions along these lines:

- He asked a nine-man panel of lawyers and economists whether any of them felt that Congress should be satisfied with the revenue code as it is now written. None did.

- Is this because the impact of the law is unfair due to the many exemptions, deductions, and special forms of relief? Mills asked next. The unanimous answer was yes.

- Should Congress also be concerned with the economic effects of taxation, particularly as it influences growth rates? All agreed.

- Isn't any satisfactory tax law in the future going to have to take into consideration the inequities of the present system, and its effect on growth? With minor exceptions, the panel still went along, and Mills summed up: "I think you have told us this in a very convincing way."

This group consisted of men who

speak professionally for labor and for the National Assn. of Manufacturers, as well as law professors and economists of widely varying views on the details of tax policy.

II. The Prime Goal

A consistent theme in the testimony was the importance of redirecting tax policy to stimulate growth, with Neil H. Jacoby of the University of California at Los Angeles, and William Fellner, professor of economics at Yale, leading the way.

Jacoby, a member of Pres. Eisenhower's Council of Economic Advisers in the early years of the Administration, offered a tightly reasoned case for making faster growth the prime goal of tax policy. He agreed with Mills that many exclusions, deductions, and exemptions from taxable income should be removed and he urged five reforms:

- (1) Reduction of personal income tax rates;
- (2) a system for averaging personal income for tax purposes;
- (3) capital gains rates varying according to the length of time the asset is held;
- (4) reduction of the 52% corporate tax rate;
- and (5) liberalization of depreciation allowances.

Taken together, Jacoby told the committee, these reforms contemplate a broader-based, simpler income tax system designed to increase the rate of economic growth over the average of the past 10 years.

- **Different Approach**—Fellner stressed the same goal, but had a different approach to recommend. He favors a 15% cut in personal income tax rates,



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through all the brackets, at a cost of \$6-billion in revenue. He would increase personal exemptions by \$100 at a cost of \$3-billion. And he would stop the bracket rates at 50%, a move that would cost only negligible revenue.

To provide an offsetting \$9-billion of revenue from a new source, Fellner favors a 7% sales tax levied on about 40% of consumption expenditures. He would exclude food and rent from the tax. The result, he told the committee, would be something like a luxury tax instead of a general sales tax and thus would fall more lightly on low-income groups.

Fellner prefers this approach to base-broadening. In particular, he opposes eliminating any preferential tax treatment that might be making a contribution to economic growth.

"If we should be unable to develop adequate growth rates, the Communist bloc will gain economic supremacy," he reminded the committee.

- **Opposition**—Members of the committee and most of the other panelists accepted the Jacoby-Fellner stress on growth as part of tax policy, but even here there was sharp dissent. "All that glitters is not growth," Walter W. Heller, chairman of economics at the University of Minnesota, protested.

Heller accused students of taxation and policymakers of canonizing growth as an objective, and argued that it should remain what it now is—a goal of secondary importance. He fears that the stress on growth will merely lead to new devices to erode the tax base. In particular, he opposes any liberalization of depreciation policy as a means of stimulating investment in new plant and equipment; a cut of several points in the corporate tax rate, he feels, would be more useful if Congress decides to come to the aid of business.

III. Lower Rates All Around

The prospect of lowering both the corporate rate and personal income rates cropped up continually in exchanges between committee members and panelists. On the whole, the witnesses would like to see all rates lowered and so—obviously—would the lawmakers.

But in response to a direct question by Mills as to whether corporate or personal rates should get relief first, the panelists split.

- **Corporations First**—Colm said the case for lowering individual rates is more urgent, and Ralph Robey, economic adviser to the National Assn. of Manufacturers, agreed, though he believes all rates should come down. Fellner, on the other hand, said that corporations should get the first break in the interests of stimulating capital formation, and William J. McKinstry



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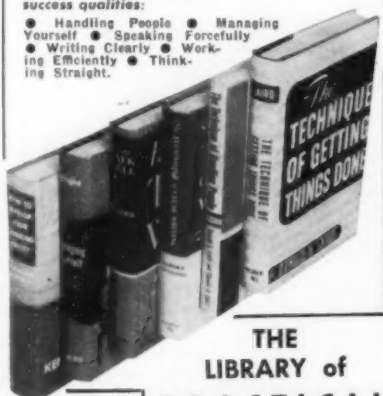


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of Miami University agreed if Congress decides growth is being neglected in the present law.

Arnold C. Harberger, University of Chicago economist, is willing to go all the way and wipe the corporation income tax off the books entirely. Harberger is out of the country and did not attend this week's sessions, but in background papers prepared for committee, he attacked the corporation tax as a major cause of distortion in the economy.

Because autos are produced by corporations—he argued by way of example—and houses are largely built by unincorporated firms, housing gets an undue tax advantage in competition for the consumer's dollar. He concludes that if it were not for this advantage, the production of autos would be 14% larger and housing would drop 6%.

One solution suggested by Harberger is to go to a "value-added" tax that would fall equally on all enterprises, either incorporated or not. Value added, in its simplest concept, is the price that finished goods bring less the cost of raw materials. There are no deductions for other costs, such as labor or interest. Several years ago Michigan adopted a version of value-added tax.

A tax of 7% on value added in all private enterprises would yield as much as the present 52% corporate income tax, and would fall much more neutrally on the economy, Harberger said.

• **Wartime Rates**—Panelists directed a steady fire against the level of personal tax rates. Roswell Magill, of the Tax Foundation, reminded the committee that the present rates were largely fixed during World War II and were considered a part of wartime controls, adopted to hold down upper-bracket incomes in order to make wage controls politically acceptable.

Fellner labeled the top bracket rates "punitive," in the sense that no one derives any tangible benefit from them. If the highest rate were 50% instead of the present 91%, he pointed out, revenue would decline only 1%.

The attack on the top bracket rates was so general from one of the Monday panels that Rep. Bruce Alger (R-Tex.) broke in to say it was the only real point of agreement he could detect.

• **Anti Sales Tax**—Fellner's proposal for a federal sales tax, in contrast, aroused strong opposition, led by Colm. John F. Due of the University of Illinois, who examined sales taxes for the committee in a background paper, said the sales tax approach is basically harmful and that even the present excises should be eliminated in any real tax reform program. In this crossfire of professional opinion, there's very little by way of detailed guidance for the tax writers of Congress.

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the base-broadening idea, and the general attack on the high level of tax rates will probably make an impression on Congress. But for the most part, the committee will have to feel its own way.

IV. No Drastic Overhaul

None of the committee members expects any really drastic overhaul of the tax system along the lines being pursued by Mills and the panelists. But key members do believe that some steps toward base-broadening and rate reduction will be taken either next year or in 1961.

Mills first proposed the present inquiry last December, a short time after a landslide Democratic victory in Congressional elections. Along with other Democrats at the time, he confidently expected a Democrat to be occupying the White House after the elections of next November. He saw the hearings as the first step in a reform drive backed by a big Democratic majority in Congress and by a Democratic President, with reasonable prospects of success.

• **Second Guess**—The Democrats now acknowledge that Republican chances to win the White House are on the upswing. Even if Democrats control the House and Mills remains as chairman of the committee, he could easily find his power no greater in 1961 than it is this year, when he had trouble holding even Democrats in line on key issues.

This explains the extreme caution with which Mills is moving.

Even if his primary goal of base-broadening and rate-reduction gets bogged down, the hearings may turn out to be useful.

One of Mills' fears, expressed in several questions to panel members, is that Congress may be called on to increase revenues suddenly in the face of some threat from abroad. If so, he feels a broader taxable income base would yield additional revenues with minimum harm to the economy. Along this line, he asked panel members Tuesday whether rates higher than today's would be harmful. The panel agreed they would be.

• **Preferential Tax**—Mills can also use the hearings to block further requests for preferential tax treatment. He will be joined in this by at least some of the Republican members. Howard H. Baker (R-Tenn.) reprimanded panelists for suggesting new exemptions and deductions, when the task of the committee was to broaden the base. Baker was referring to a recommendation by Robert R. Nathan, consulting economist, that a credit be allowed on federal tax returns for state income taxes, and a suggestion from Colm that deductions from taxable income might be allowed for adult education costs.

A Bid to MATS

Four big airlines offer discounts on cargo and passengers, also more liberal terms of emergency reserve.

The Military Air Transportation Service, hard-pressed by major airline charges that it is competing with them, is studying a sugar-coated contract served up to it last week by four civil air carriers.

The four—Northwest, Seaboard & Western, Trans World, and Pan American—offered to give MATS discounts below the standard commercial rates for hauling cargo and passengers to all points on their certified routes. The discounts, now being discussed at the Civil Aeronautics Board, would probably run around 20%.

What's more, the airlines promise to make available, on call by the Defense Secretary in an emergency, an airlift capacity 50% greater than would normally be required. At present, the civil aircraft reserve fleet can only be called up after formal declaration of a national emergency.

The offer extends to traffic of other government departments, but it's obvious that military traffic, especially cargo, is the prime target.

Sen. Mike Monroney (D-Okla.), a key figure in aviation matters, favors the airlines' approach, but doubts it will solve the larger problem of MATS competition.

• **Double Squawk**—The airlines have two big gripes against MATS, often called the world's biggest air carrier:

• They say that MATS uses its own planes to haul 90% of the passengers and cargo between points already served by the airlines. They want more of the business for themselves; MATS has promised to give them a larger share, but not so large as they want.

• The scheduled airlines snipe at the MATS practice of granting big contracts to small, irregular carriers. MATS says that under the competitive bidding required by law it has to give the contracts to the lowest bidders—which the big lines say offer uneconomically low rates.

• **The Small Lines**—The Independent Airlines Assn., representing more than a score of the supplemental certificated carriers, says its members have no objection to the big airlines' approach—provided the same arrangement is open to them and to all other certificated airlines. They are offering a plan of their own that would freeze out uncertificated contract carriers.

Commercial shippers of international air cargo are also interested observers,

since their freight costs may be affected. The scheduled airlines have argued in discussions at the CAB that the proposed contract would mean lower costs for the commercial shippers, because the added government business would enable the lines to buy more efficient aircraft.

Bridges Must Be Raised For Missiles on Trucks

The Interstate Highway System, which has already had its share of financial and construction troubles, faces another \$1-billion in additional costs. The extra billion is needed to increase vertical clearance on overhead structure—mostly bridges carrying other roads over the interstate highways—from a minimum of 14 ft. to a new minimum of 17 ft.

About \$330-million will be required above previous estimates for 10,000 bridges still to be built, and about \$700-million to raise an estimated 6,000 existing structures.

Reason for the change: The Defense Dept. decided the 14-ft. clearance is not enough for big missiles that will be transported over the federal roads.

• **In Cities, Too**—The new policy requires 17-ft. clearances not only over the pavement but also across the entire width of the road, including usable shoulders. It will apply to all rural routes and to one route in each urban area, preferably a belt route that will provide the best connection with the Interstate Highway System.

The Bureau of Public Roads says the new designs will be mandatory for all future construction as soon as the Secretary of Commerce approves the policy. The Pentagon is expected to set up priorities for converting existing structures.

• **Who Pays for It?**—There's some question about where the \$1-billion will come from. For new construction, immediate plans are to tap the Highway Trust Fund. This means that the cost must be absorbed in current federal allocations to each state.

Congress may change this arrangement when it reconvenes in January, though a hot debate is in prospect. Last summer, there was strong feeling in Congress that the national defense aspects of the Interstate Highway System should be paid for out of general Treasury funds, like other defense items, instead of coming from the special taxes paid by motorists for the new roads. There may also be some sentiment for having truckers pay a share of the additional cost. New bridge heights may make it possible to build larger trucks, on which truckers can earn more money:



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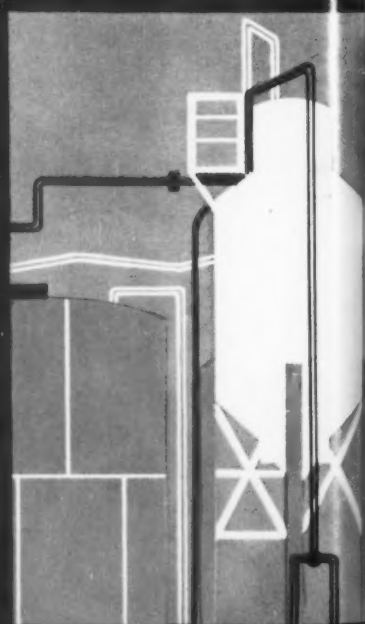
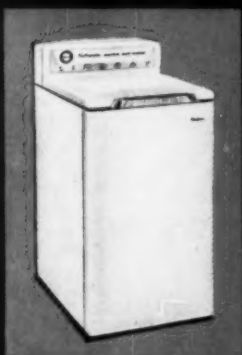
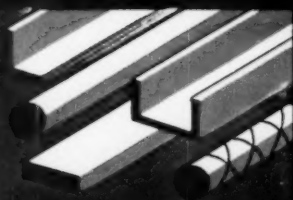
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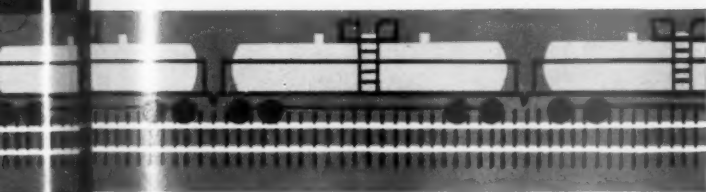
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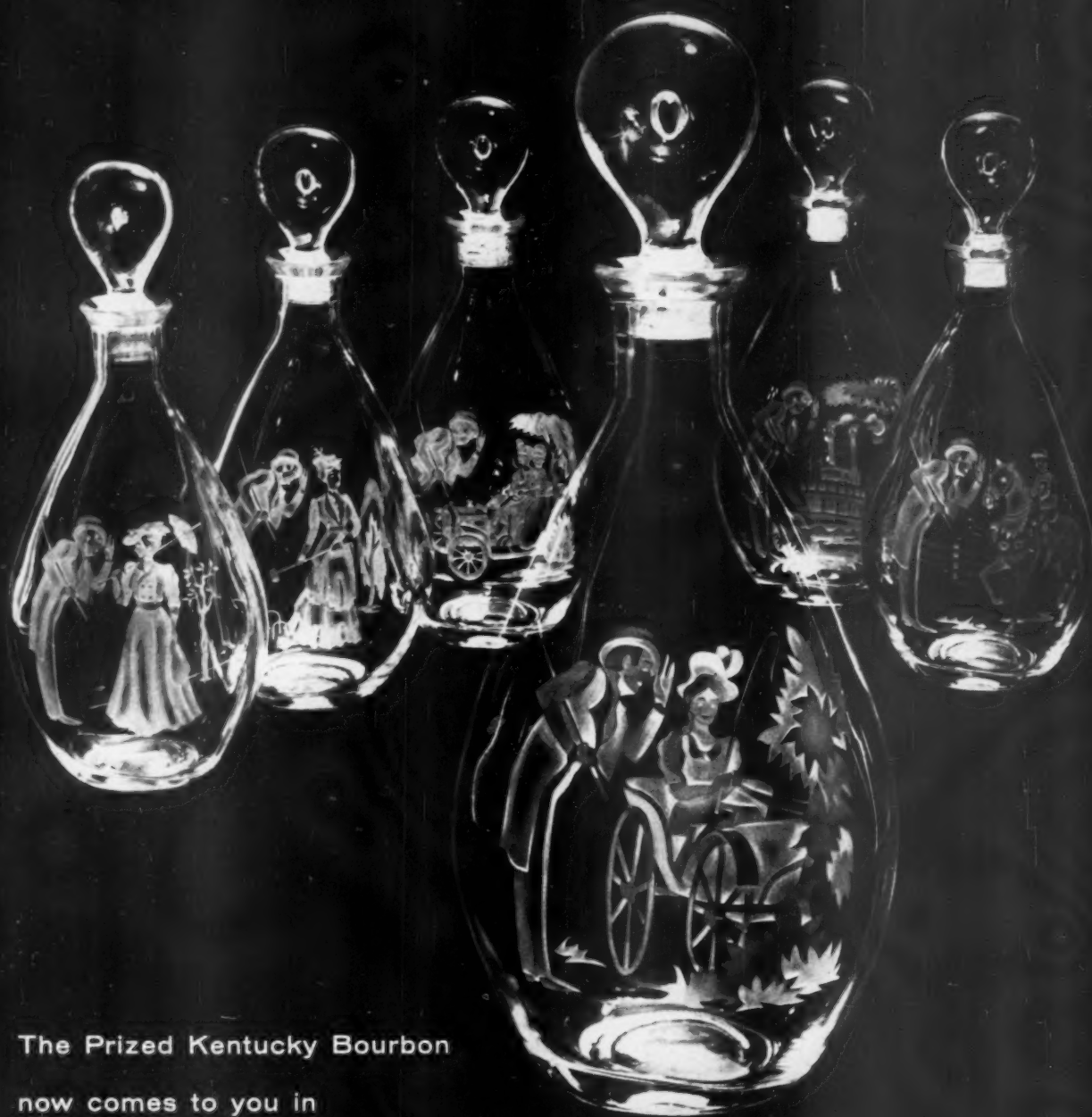
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PERSONAL BUSINESS

BUSINESS WEEK

NOV. 21, 1959



Are you considering a Christmas donation to your alma mater, or to a hospital, church group, or other charity? One silver lining to high income taxes is the fact that as your tax bracket goes up, so does the dollar value of a deduction for a charitable contribution.

And keep this point in mind: By using some thought and planning, you can do more for the charity in many cases, and at the same time get a better break yourself, in terms of taxes and income.

Basically, there are two general approaches. You can donate cash or property, as a one-shot yearly proposition, and simply take your allowed tax deduction. Or you can go a step further and enter into some kind of lifetime agreement with the charity under which it gets a principal amount and you get a guaranteed annual income.

Giving cash, of course, is the simplest method. If you're in, say, the 50% tax bracket (\$36,000 on a joint return), a dollar donation actually costs you just 50¢. But this may be a shortsighted approach, because it ignores some of the less obvious advantages of donating property.

When you donate property (stocks, paintings, etc.) you get a deduction based on current value as of the date of contribution, which is why appreciated securities are being used so widely today to support schools, colleges, and philanthropies.

Donating stocks gives you a double advantage: (1) You get a deduction for current value, regardless of original cost; and (2) you avoid the capital gains tax—25% if your tax bracket is 50% or higher—that otherwise would be applied to the total appreciation in value.

There's a new twist on the idea of donating securities—it's called "giving capital gains." What you do is sell a block of securities to your college or charity, charging only your low, original cost. You wind up with cash in pocket, plus a tax deduction.

Say you own a stock that cost you \$20 years ago; today it lists at \$50. You sell the shares directly to the institution for \$20, and so get back your cost. You then deduct, for tax purposes, \$30 a share.

On the other hand, you might be interested in the "life income approach," which has been adopted by many businessmen in conjunction with their giving to colleges and religious groups. The institution gives you a contract, paying you in return for your donation a lifetime income at a rate equal to the earning on its endowment fund.

Say you are age 50, and in the 50% tax bracket. You donate \$10,000 in cash to your college, and in return get a lifetime income at, say, 4%, or \$400 a year. In the year of donation, you're entitled to a tax deduction of \$4,800, based on Treasury tables. (The tables figure in age; thus at age 60, the deduction goes up to 60%, and so on.)

Since you're in the 50% bracket, you save a clear \$2,400 on taxes—so your actual investment is only \$7,600, and your return of \$400 represents not 4%, but 5.26%.

Or suppose instead of giving \$10,000 in cash, you give stocks that cost you \$6,000 and are now worth \$10,000. Again, your out-of-pocket investment is just \$7,600; but you also save a 25% capital gains tax on the stock's

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
NOV. 21, 1959

\$4,000 appreciation. Saving: \$1,000. So actually, your investment goes down to a low \$6,600—and your annual return of \$400 amounts to 6%.

Go one step further. In the above examples, your \$400 annual return is subject to ordinary income tax. But there is a way your college can give you a completely tax-free payment.

This is by using the "tax-free trust." Instead of selling your securities (which cost you \$6,000) for \$10,000, and adding the money to its endowment fund, the school buys \$10,000 worth of tax-free (state or local) bonds with this money. The college retains the principal as trustee while you live, paying you an annual income, and passing along to you the tax-free feature. When you die, the school gets full ownership.

Say, again, that you get \$400 a year—but this time free of income tax. Instead of 6%, as above, you're getting what amounts to 12% on your \$10,000 (since you're in the 50% tax bracket).

If you want a comprehensive review of this topic, write for a free copy of Contributors Income Tax Deduction Guide; Sydney Prerau, Director, J. K. Lasser Tax Institute, 1 West Ave., Larchmont, N. Y.

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Steaming the Atlantic: For the first time since 1939, the 26 transatlantic steamship lines will offer a round-trip ticket bargain. Starting in 1960, purchase of a round-trip will get you a 10% discount, if you travel during the "off" season—that is, in spring, fall, or winter. At the same time, though, basic first-class fares have been upped a maximum 8% for these months, with a flat \$20 boost applying to "in"-season (summertime).

Here's a fairly typical example of in- and off-season rate changes: In 1960, Cunard's Queens will charge \$512 for a one-way Atlantic crossing in-season, one person, single cabin, first class; same accommodation off-season will be \$412 (a 19.5% saving); same cabin, off-season, one-way on a round-trip basis will be \$371 (27.5% less than \$512).

Steamship off-season: Eastbound—Jan. 1 through Apr. 14, and after Aug. 23; westbound—Jan. 1 through June 21, and after Nov. 1.

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Gardening enthusiasts, put to pasture in their armchairs by the approach of winter, can lighten the long hours till seed catalogue time with a new book: Joseph Wood Krutch's *The Gardener's World* (Putnam, \$7.95 until Jan. 1; \$8.95 thereafter). The well-known writer has assembled a garland of writings about all aspects of the garden, from the Greeks to our own times.

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What's in your wallet—besides money? Odds are you can't list all the contents from memory. Of course, you will remember such important items as your driver's license, car registration, and social security card. But you'll most likely skip a number of others, including credit cards; and chances are you don't have the card or license numbers recorded anywhere.

So, here's an idea: Take an inventory. Have your secretary list not only the contents but also pertinent data such as serial numbers. This can save you considerable inconvenience in case of loss.



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Boats L

Ben Whitehouse has cut his costs and fattened his profits by making the basic plastics used in his small boats (pictures).

Ben C. Whitehouse, Jr., 29-year-old president of Fort Worth's Whitehouse Plastic Co., won't buy anything he can make himself. This is the main reason, he believes, that his reinforced plastic company—specializing in small glass fiber boats—has been able to jump its sales from \$38,000 five years ago to an estimated \$8-million this year. And he has been able to cut prices some 10% under the competition and still make a healthy profit.

During the model year ended last Sept. 1, Whitehouse shipped and sold 14,000 boats. This coming year he plans to build some 25,000—14-ft. to 19-ft. outboard pleasure craft except for about 1,000 inboard jobs—for a predicted sales volume of \$12-million.

• **Backward Integration**—Such a growth rate is not unheard of in the volatile boat business, which moved about 350,000 outboard motorboats last year. But Whitehouse hopes to stay in a good profit position even when the market saturates a bit and the marginal producers start getting squeezed out. To turn this trick he decided to make the plastics to make the boats from—a course many plastics molders think is too expensive and almost foolhardy.

Whitehouse put a 30-million-lb. polyester resin reactor on stream last March to provide the necessary plastics for his two boat plants in Fort Worth and Warsaw, Ind. It's a "double-boiler" type that also can make urethanes, phenolics, alkyds, vinyls, epoxies, and other coating resins. Sticking to his make-rather-than-buy policy, Whitehouse designed and built the reactor himself except for the two stainless steel tanks. A chemical expert estimated the unit would cost over \$1-million; Whitehouse says it cost him under \$300,000.

• **Do-It-Yourself Products**—In addition, Whitehouse makes or will make these items, which most boat manufacturers buy:

• Polyurethane foam for seats and dashboard padding. The reactor will be switched to urethane before the end of the year. Rather than buy the machine that turns the resin into foam, Whitehouse bought plans from a large manufacturer and built the foamer himself.

• Padded dashboards, made on a vacuum former that Whitehouse bought for \$12,000. They're vinyl-covered polyurethane.

• Upholstered seats. Originally



BOAT MAKER Ben C. Whitehouse, Jr., believes in buying only those components he can't make. At his Fort Worth plant, he makes his own plastic resins.

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Launch Manufacturer Into Plastics

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they were vinyl-covered kapok. Then Whitehouse switched to rubberized horsehair, finally to urethane foam for the filling.

In addition, Whitehouse is investigating—with others—the possibility of setting up a logging company in Ecuador to provide the balsa wood he uses for the boat floorings. He now must pay 15¢ a board foot for the balsa.

I. The Economics

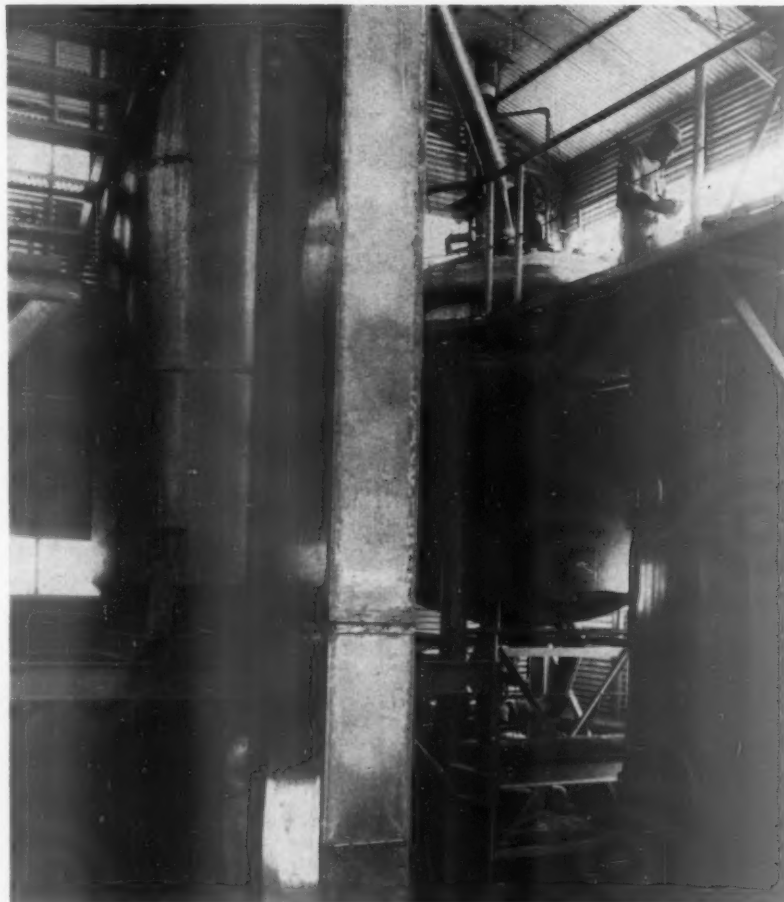
Whitehouse feels his integration policy gives him a firmer grasp on costs than his competitors. In the first half of this year, he bought some 4-million lb. of polyester resin at a cost of \$1,250,000. Using his own reactor, he cut the cost to \$1-million in the second half, and that means the reactor has already paid for itself. Yet its capacity is far more than Whitehouse's demand, so he can sell plastics to other molders for a yield that is pure gravy—as well as maintain room for his own growth.

• **Outside Help**—Whitehouse had help from his plastics suppliers in designing and building the reactor, despite some people's expectations that they would be unhappy at seeing a customer build a "captive" plant. Whitehouse says: "Suppliers like Monsanto and Allied Chemical actually net more money by selling us the raw materials than they did by selling us the finished polyesters. We can come out because of the volume we use and the lower overhead. Remember, when we bought the chemicals we had to pay the price of the sale, but we don't have that expense when we sell to ourselves."

Whitehouse decided to make his own polyurethane because he was tired of paying 25¢ a lb. for it when he figured he could make it for less than 19¢. During the 1960 model year, he expects to make and consume 700,000 lb. of the stuff. The foamer cost him \$5,000 to build, but Whitehouse figures it will save him about \$25,000 this year and \$40,000 to \$50,000 a year after the shakedown period, producing both rigid and flexible foams.

• **Big Savings**—The dashboards that use the rigid polyurethane cost \$12.50 apiece when Whitehouse bought them from a commercial manufacturer. He has cut the cost to \$6.80 with the \$12,000 vacuum former, which "can turn out 4,000 dashboards a year. Whitehouse figures the machine will pay for itself in less than six months."

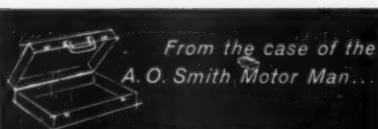
Whitehouse says the average boat manufacturer pays enough for upholstered foam seats made by someone else to provide a profit of \$15 to \$18 a boat. He now provides this margin



DOUBLE BOILER reactor is used to produce types of plastics needed for the boat hulls and seat and dashboard padding. Whitehouse sells excess to other molders.

UPHOLSTERY for boat seats also is made right at the plant. Here, operators stitch vinyl covering on foam padding, which Whitehouse is getting ready to make himself.

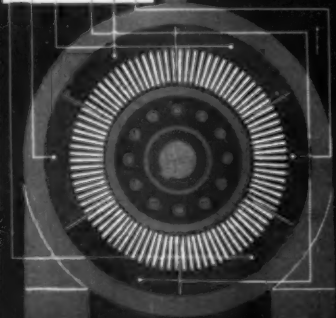
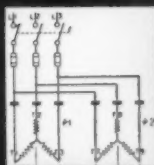




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for himself, thanks to \$10,000 worth of upholstery equipment that was paid for by the savings on the cushions for the first 1,000 boats.

• **Counterview**—Many boat makers think Whitehouse's policy has its disadvantages, despite the apparent economic gains. Most of them feel they're in the boat business, and that it's a mistake for them to try to go into the plastics business. Whitehouse himself sometimes sounds as though he's really interested in the plastic-making business and just finds boats the most advantageous things to use his resins in. In fact he's doing research now on other molded plastic products, like office furniture.

Other boat manufacturers don't argue with Whitehouse's figures—though some say the profits on resin production on his scale are only nominal—but they don't think he can keep pace with plastics technology. One says: "Many innovations are being generated in the field of resins. Whitehouse is missing out on them. Companies that use the big suppliers will get them first."

Where there is an economic argument, it's usually in terms of the inability of the boat business to use all the reactor's capacity. But Whitehouse insists he saves money even operating it at a fraction of capacity. The reactor works on the batch system as opposed to the continuous flow used in more sophisticated chemical plants. Thus when Whitehouse's needs are met, he can turn it off and use the personnel in other sections of the plant.

As for simpler items, like doing your own upholstery, one Eastern boat maker says he tried it and finds it's cheaper to buy the fabrics and subcontract the sewing job.

II. The Manufacturing

Whitehouse's basic boat-building is the traditional layup process for plastic boats. Layers of plastic and glass fiber are built up in wooden forms to the desired thickness to form hull and decks, which are then bonded together. It's done on an assembly line resembling a crude simplification of an automobile assembly system. At Fort Worth, the assembly line, upholstery shop, and chemical operations are housed in a former concrete-block chicken house and eight steel buildings on a 200-acre farm belonging to Whitehouse's father.

• **Simple Operation**—The plastic-making operation is simple. All seven of the plastics that can be made in the "double-boiler" merely require adding the basic chemicals, cooking them under pressure, and cooling them. Polyester resin, for instance, is made by taking 20% maleic anhydride, 40% phthalic anhydride, and 40% propylene

glycol and cooking them at 450F. After cooking, the stuff is cooled to 230F, pumped into a thinning vessel, and styrene is added for six hours of blending.

By juggling the basic ingredients, this produces gel coat—the outside plastic boat layer, with color; the basic construction resin; adhesives, and other functional agents.

So far, only 0.1% of the product has been "substandard" and this can be used as an adhesive in non-critical places where color is not important. Immediate plans are to run the plant at about 15% to 18% of capacity. That's far less than a commercial plastics maker could afford, but Whitehouse figures he need supply only his own demand to break even or make a profit. He used 3-million lb. of polyester resin in the 1959 model year, and his needs are expected to run 7-million lb. this year.

Of course, Whitehouse will get additional output by using the reactor to make polyurethane resin. Changing from polyester will require only a month's engineering time to figure the right recipe and change a few valves.

III. Fast Growth

Whitehouse feels his chemical operation—run as a wholly owned subsidiary—is the key to his growth. By making it a separate corporation, he thinks he's better prepared for a time when he may want to switch the sales and assembly operation to something other than boats.

Yet the boat business is the measure of his growth and the reason he got into plastics in the first place. Industry observers place Whitehouse in the top 25 or 30 of the 800-to-1,000 boat makers in the U.S. Whitehouse himself claims to be at or near the top in small boats.

• **Early Start**—Whitehouse built his first glass boat while a management engineering student at Texas A&M (class of 1952). While still at school, he wrote an engineering report on how to set up a glass fiber boat plant—with the basic idea of his present operation—but he projected a volume of only 100 boats a week. With two friends, he developed a spare-time boat plant and turned out his first 50 craft.

This gave way to the present venture in 1954, when he started up on his father's Fort Worth farm with \$10,000 worth of equipment and a \$25,000 investment by Ben C. Whitehouse, Sr. Now the net worth of Whitehouse Plastic is over \$4.5-million.

• **Acquisition**—Part of that growth comes from Whitehouse's acquisition of North American Mfg. Co., Warsaw, Ind., last June. North American was an aluminum and wood boat maker that had tried unsuccessfully to get into glass fiber boats. **END**

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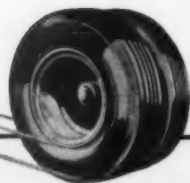


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Conveyor Belt Stretches 5½ Miles To Bring Limestone to Cement Plant

A new conveyor belt system (picture) stretches a record length of 5½ miles to carry limestone from the quarry to Ideal Cement Co.'s new \$20-million cement plant at Ada, Okla. The conveyor is elevated at several points as it crosses a couple of highways and the tracks of two railroads.

The belt system can carry 1,000 tons of crushed limestone an hour from the quarry to the plant.

Link-Belt Co. of Chicago designed and built the conveyor system, which actually is made of seven separate conveyor belts feeding onto one another. (The longest belt, stretching 2½ miles, is made of a continuous single belt 4½ miles long.)

• • •

Boeing Looks to Turbo-Fan Engines To Give Its Jets Extra Speed

Supersonic jet airliners capable of winging their way half way around the world at two to three times the speed of sound are still a long way off, according to spokesmen at a joint Boeing Airplane-American Airlines symposium held in Seattle recently.

Such supersonic transports will not even be technically feasible until about 1967 in the opinion of D. W. Finlay, Boeing's chief of preliminary design. And it would probably be 1975 before these planes showed up at the loading gates of the world's major air terminals.

In the meantime, Boeing engineers will continue to improve the performance and stretch out the usefulness of the Boeing 707 to span the interval until the super jet transports are commercially attractive. American Airlines, for example, will re-equip its 707s with turbo-fan engines and a more streamlined inboard wing edge. The new Pratt & Whitney turbo-fan engines will produce 17,000 lb. of thrust, compared to 13,500 lb. for the straight turbo-jet version. As modified, at a cost of \$1-million each, the 707s will be able to take off in approximately

30% less runway, will fly up to 40 mph. faster, and carry five more tons of payload.

And by 1962, Boeing feels it will have come up with further modifications that will improve the performance of the 707 class still further. It is currently experimenting with boundary layer controls—for smoothing out airflow over the wings—that should improve aerodynamic efficiency of the 707 still another notch.

And to help speed passenger service, American last week announced a new electronic reservation system it hopes will eliminate the clerical delays and bloopers from its present system. The centralized data processing system, which eventually will be linked to all the 61 cities AA serves, is designed to keep instantaneous tabs on every seat available in the American system and correlate this with a complete record of every reservation made. The processing center's computer, an International Business Machines' 9090, can handle 7,500 reservations an hour.

• • •

CalTech Engineers Develop Machine That Simulates Earthquakes

A machine that manufactures earthquakes has been developed by four engineers at California Institute of Technology. Their idea is to crack some real buildings under controlled conditions to learn how to build structures that will withstand earthquakes better.

The basic component of the machine is a pair of unbalanced weights that rotate in opposite directions horizontally in a 15-in.-high assembly bolted to the floor of the building. Rotating the weights rapidly produces the building-shaking vibrations.

The machine produces quakes of varying magnitude according to the weights used and the speed at which they are rotated. By tuning the vibration to the natural frequency of each building, considerable damage can be done with little energy. The project's goal is to find ways of dampening the vibrations caused by natural earthquakes.

• • •

Youngstown Sheet & Tube Co. Plans Big, Speedy Cold Rolling Operation

An unusual giant cold rolling mill will be built at the Indiana Harbor works of Youngstown Sheet & Tube Co. It will have six stands of rollers in tandem, instead of the usual four or five, and will be capable of rolling strip steel down to paper thinness at 7,250 ft. per minute—over 80 miles an hour.

The extra rolling stand means each set of rollers has less work to do, so it's easier and quicker to produce a thin strip. Youngstown feels the new mill, which will be used for tinplate, will give it a better chance to counter the aluminum invasion of the tin can market.

The mill will deliver coils up to 46 in. wide and 80 in. in diameter, weighing over 62,000 lb. It's being built by Mesta Machine Co., with the electric power drive by Westinghouse, and is scheduled to go into operation about a year from now.

union tank car company

speeds

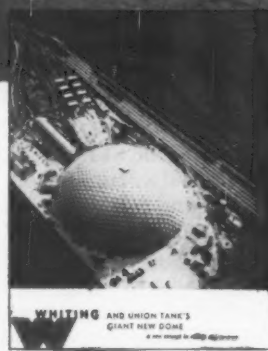
car movement

with **trackmobile**



Many railcars move quickly and efficiently in and out of one of the world's most modern railcar repair shops. A single Trackmobile handles them all at the Union Tank Car Company's giant dome-shaped plant near Baton Rouge, La. Trackmobile pulls them inside the shop and teams up with a Whiting Radial Transfer Table to keep all maintenance stations busy. A most versatile machine, Trackmobile transfers easily from rail to road. Plants throughout the country use it to haul, switch, and spot.

FOR MORE INFORMATION on Trackmobile at Union Tank Car Company write for Bulletin 245. *Whiting Corporation, 15661 Lathrop Avenue, Harvey, Illinois.*



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IT'S A TREND. Rotary mower and outboard motor use same ACCO Div. power unit.

One Motor, Many Hookups Save Space and Money

Many a homeowner has a hard time finding space to store the rich variety of tools and appliances that he gradually accumulates. Often, too, he has a hard time paying for them.

To ease both problems manufacturers have been coming up with multipurpose equipment in the past few years. There have been appliances that can adapt to blending, crushing, or grinding; powertools that drill, saw, and polish; garden equipment that cuts, tills, edges—and removes snow.

The latest of the thrifty trend is a combination lawn mower and outboard motor, made by the ACCO Power Products Div. of American Chain & Cable Co. For about \$150, you get a standard propeller assembly, a rotary mowing unit, and a 2½-hp. gasoline engine that will supply power to either of them. You can switch the engine from one unit to the other in a few minutes, by a simple wrench-and-screw-driver operation. The whole package costs little more than a standard 3-hp. marine outboard motor.

In tests, the ACCO outboard attach-

ment has driven a 14-ft. skiff at from 4 mph. to 10 mph., depending on the load. That's not fast enough for water skiing, but it's fine for trolling and fishing, or bringing home a becalmed sailboat.

• **For the Garden**—In the garden department, Toro Mfg. Corp. of Minneapolis is a leader in adapting a single gasoline engine to driving a variety of equipment. Toro starts by building a 3-hp. engine and controls into a single lift-off unit, sold under the trade name of Power Handle.

The engine can be used to power any one of a dozen garden and general utility tools, including a rotary mower, a six-bladed reel mower, a soil tiller, a lawn edger, a rotary-type snow plow, a pump that can bail out boats or basements, a sprayer, and an auxiliary 1,000-watt electrical generator.

The Power Handle itself costs \$90, the accessories range from \$45 for an edge trimmer to \$110 for a self-propelled snow plow—or more for off-beat implements. Toro brought out the first Power Handle in 1955; today, the

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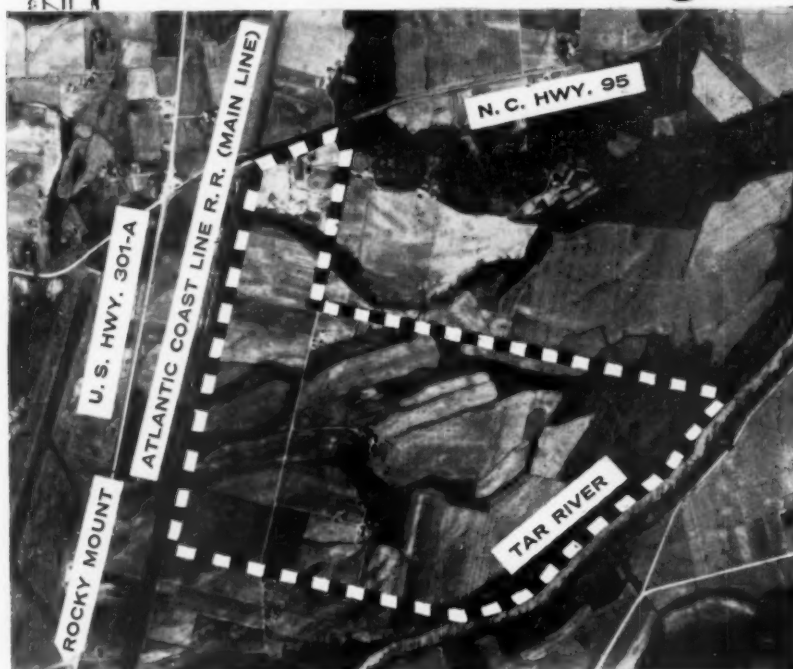
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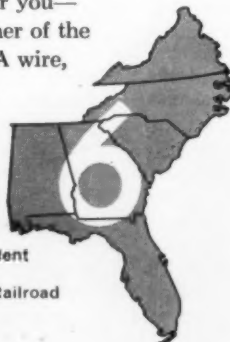


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MULCHING, SNOWPLOWING are just two of many jobs of Toro's Power Handle.



POWER UNIT by NuTone, recessed into counter, runs a variety of kitchen gadget.

engine and its family of tools makes up 22% of Toro sales.

For the appliance-crammed modern kitchen, NuTone, Inc., a Cincinnati maker of range hoods and fans, offers a power unit built into a counter or table that can drive a variety of appliances such as blenders, mixers, orange juicers. The motor and its takeoff is recessed into the counter top, the attachments are plugged on when wanted. The NuTone power unit, plus a vegetable shredder and a food blender, costs \$63. Such extras as knife sharpeners, meat grinders, fruit juicers, and mixers run from \$4 to \$25.

Multi-purpose units for crushing ice, blending, and coffee grinding are also marketed by such leading appliance makers as Waring Products, John Oster Mfg., and Hamilton Beach Co., but none of these has the power unit recessed into the counter.

• **Quicker Changing**—The power tool



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ONE MOTOR by Skil Corp. can be fitted to jig saw, circular saw, and sander.



ONE TURN of the wrist is all that's needed to attach tool to Skil's motor.

industry, of course, was a pioneer in the multi-purpose field. Hand drills that can be converted into circular saws or disc sanders can be found in even the simpler home workshops.

The newest things in this field are Skil Corp.'s saw and sander units, which the maker claims can be attached much more quickly and easily than older types. Skil says its snap-on jig saw, sander, and circular saw attachments can be changed as easily as a bit drill, with a mere turn of the wrist, while changing the other models takes some time and effort. The Skil attachments cost \$16.95 apiece.

While most of the industry moves toward more attachments per motor, Lawn-Boy Div., of Outboard Marine Corp., has taken a step in the opposite direction. The company has developed a lawn vehicle, called the Loafer, which can be attached to most any rotary power mower, allowing the chauffeur to ride around in effortless state. Lawn-Boy claims that most of the smaller mowers do not have the power to cut the grass and give the boss a ride at the same time. So the \$170 Loafer series is a self-propelled go cart, and can also be used to pull light garden equipment such as seeders, leveling blades, reel mowers, and small carts. **END**

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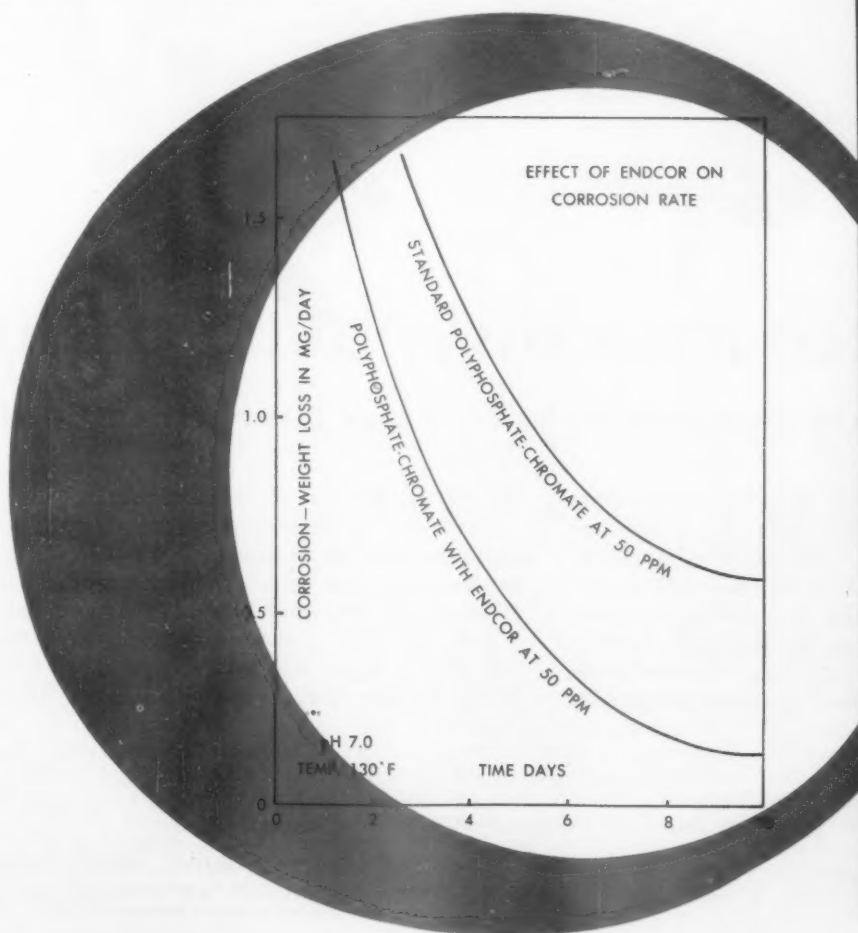
ENDCOR – sharply reduces corrosion rates and deposit formations . . . minimizes sludge adherence to heat exchange surfaces.

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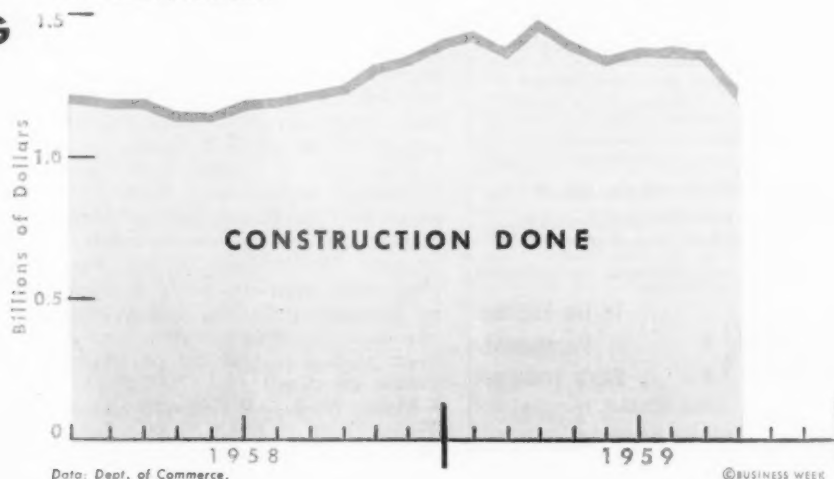
PUBLIC WORKS...

contract awards
go into a
steep dive...



...FORECASTING

the drop that is
now showing up
in work
put in place.



Public Building Heads Downhill

The honeymoon is over for the construction companies that build the heavy stuff—highways, schools, earthworks, airfields, and such—for the federal, state, and local governments.

Contractors are beginning to finish up many of the big public jobs that were handed out around the bottom of the 1957-58 recession. And new contracts are coming a lot slower. What with Pres. Eisenhower's economy drive at the federal level and with fiscal problems still mounting for the states and cities, there's no real turn in the trend in sight.

• **Down From a Peak Year**—As the charts above show, there was a whole slew of big contract awards just as the recession hit its lowest point in the spring of 1958. With these jobs under way, the volume of work put in place soared after mid-1958. But this boom

began to top off in this year's first quarter, and volume—when seasonally adjusted—has been declining ever since. Steel shortages have put a further crimp into building activity since August.

As a whole, this year still will add up to the best year ever for the public construction business. Total volume by yearend should hit \$17-billion—a healthy jump of 11% from 1958. But that's small comfort for the builders who are facing a thin diet of new awards for public works.

In October, contract lettings for such work were down 31% from the year-earlier month, according to figures compiled by Engineering News-Record, a McGraw-Hill publication. For the year to date, public awards have shrunk by 13%.

Many builders, of course, are making up for this decline by snaring private

awards for industrial building, as capital spending by business starts climbing back toward another peak (BW—Nov. 14 '59, p. 76).

• **Easing Up on the Pump**—While it's plain that public works spending is sliding into at least a temporary trough, the reasons for the dip are fairly complex. Right now much of the slowdown is due to fiscal problems at all levels of government, rather than to tight money.

Part of the decline—especially the federally financed portion—is due to the wearing off of the stimulating effects of last year's anti-recession spending. One case is the 1958 Federal Highway Act—passed by Congress to combat the slump—which added about \$700-million or so to actual spending on roads and bridges during the past 18 months.

This wave of highway expenditures



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... the drop in school building is stirring up apprehensions about the effect of high money rates ...

(STORY on page 189)

is now past its peak, and a further slowdown is likely as allocations of federal money to the states are reduced to stay within the pay-as-you-go limits of the law.

Road contracts are running about 20% lower this year than in 1958, but awards may show some recovery now that the states know how much money to count on through fiscal 1961. However, the drop in federal highway money is steep: from \$2.5-billion in the current fiscal year ending June, 1960, to \$1.8-billion for the following year.

• **Economy**—A number of federal programs related to defense spending are also on the down side of the curve. Partly in response to the Russian Sputniks, but also to combat the recession, spending for missile bases, airfields, military housing, and similar projects was speeded up last year. Now contract lettings in these areas also are lagging far behind 1958 figures.

This return to a more normal pace in federal construction is being reinforced by Pres. Eisenhower's drive for economy as part of his anti-inflation program. In contrast to last year, when every effort was made to speed up programs under way and to start new ones, the Administration now is trying to keep a tight lid on all deferrable spending.

• **Money Market**—If deliberate pump-priming and inflation-curbng policies are behind the ups and downs of federal construction, the current slide in state and local work is largely the result of changing needs and of shifting money market conditions. The fluctuations of the bond market, as it turns out, have made local public works contracyclic in effect along with federal works.

With population increasing by 3-million a year, the demands for state and local spending keep mounting steadily. But state and local authorities usually have to borrow in order to build. The state of the money market, therefore, has a lot to do with how much money gets spent in state and local construction.

Much of the money to finance this year's bulge in municipal construction was borrowed months ago. When long-term interest rates fell sharply in late 1957, municipal bond flotations began to soar. In 1958, the volume of bonds placed for such things as school buildings, roads and bridges, waterworks, and sewerage systems set new records. Municipal authorities started letting contracts at a fast pace in the spring of

1958. Soon after, the volume of work put in place began to climb toward this year's record-breaking figures.

Gradually, though, the backlog of work deferred from the 1956-57 period of tight money has been chopped down, and money rates have again risen. As a result, the totals for state and local work have begun to level off.

• **Cause for Worry**—A drop in these totals might be expected, but there is also a shift in the make-up of state and local construction that is beginning to alarm Washington and some private economists. While both contract awards and work-put-in-place figures show construction of such things as waterworks, sewers, and municipal office buildings still swinging upward, there has been a distinct slide in school construction.

The drop in school building is already stirring up apprehensions about the effects of today's high money rates on the many school districts that are either strapped for funds or bound by debt limitations. Though school construction is down only about 4% so far this year, bond flotations for schools appear to foreshadow a bigger drop in 1960. Bonds for educational purposes this year are running 20% below 1958.

But whether tight money and straitened local finances are really the cause of this decline is open to argument. Taking no chances, Health, Education, & Welfare Secy. Arthur Flemming has ordered a special study by Stanford University in order to find out.

• **Opposing View**—Some take a different view of the cause, contending lessened need for schools—not tight money—is behind the building slump. Frank E. Morris, research director for the Investment Bankers Assn., points out that municipal bond flotations for all purposes this year will set another new record, and argues that money factors alone, therefore, can't explain the drop in school building.

He notes that the growth rate of the school-age population, on the other hand, has slowed down—especially at the elementary and junior high school levels. Slower growth, Morris points out, means that school districts need fewer new buildings.

Replacement and modernization needs, of course, still pose a problem in many areas, but Morris thinks expansion needs are no longer so urgent. He forecasts that school construction will tend to level off until a new wave of youngsters hits the schools in the mid-1960s. **END**

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Sharpening the Debate Over Growth

The whole question of economic growth—and the disturbing comparisons that have been drawn between the U.S. growth rate and the Soviet Union's—is gradually emerging as one of the great issues of our times.

Two months ago, Soviet Premier Khrushchev told members of the Economic Club of New York that the Soviet Union would be outproducing the U.S. by 1970. Allen Dulles, head of our Central Intelligence Agency, this week cited numbers before a Congressional committee which suggested that Khrushchev could be right; and Dulles warned that our national survival may depend upon accelerating our rate of growth. Sen. John F. Kennedy, a hopeful Democratic Presidential candidate, campaigning in Wisconsin, warned that in military power, education, science, and research, the Soviet Union has either surpassed this country or made "spectacular gains," while the American people were encouraged to become "complacent, self-contented, easy-going."

Gov. Nelson A. Rockefeller, an unannounced Republican Presidential candidate, has made the growth issue one of the central points in the program that he is developing in his efforts to establish a political identity. Last week, he chose it as the subject of a major address—delivered from the same Economic Club rostrum in New York that Khrushchev used. By meeting the issue head-on and offering specific proposals for dealing with it, he did a great deal to sharpen the country's thinking on this complex question.

Rockefeller took the position that a faster rate of growth is indeed essential for "strengthening our national defense, strengthening our capacity for international economic cooperation and competition, strengthening our free institutions, and meeting our human responsibilities at home." Behind Rockefeller's thinking obviously lies the series of studies on national military, economic, and social requirements that were worked out by panels of experts for the Rockefeller Brothers Fund.

The New York governor offered a program which he judged would provide the nation with a rate of economic expansion sufficient to meet those requirements and "match or even beat" the Soviet rate of growth—which he figures at 6% a year. The six planks in Rockefeller's growth program are:

- Encourage research, innovation, education.
- Use contracyclical monetary and fiscal policies to check recession or inflation.
- Put increasing productivity into increased output rather than take "as much as one-third of it in the form of further reductions in working time which has been our long-term pattern in the past."

- Revise taxes to encourage savings and investment. (He suggested that with a 6% growth rate we could meet our rising defense and social welfare requirements over the next decade by boosting government spending 50%—and still cut taxes by 15%.)

- Remove the drags on growth: "ineffective phases" of the farm program, inefficiency in government, featherbedding by labor and industry, including subsidies and certain tariff protections.

- Face "more realistically" the problems that come with automation; set up a consultative body with representatives from labor, management, the public, and the Secretaries of Labor, Commerce, and Treasury.

Defining the Issue

Whether this is a program likely to attract much political support to Rockefeller remains to be seen. Certainly the program is going to make plenty of people unhappy or even angry: Labor leaders won't like Rockefeller's swing at featherbedding or his invitation to give up their hopes of selling their membership on a shorter work week—though the rank and file may be less disturbed; there's much evidence that given the choice the workers themselves prefer more income to more leisure. Farmers won't like the allusion to revising the farm program. Business groups may not welcome Rockefeller's line on subsidies and tariffs. Conservatives within his own party, who still espouse the doctrine of the annually balanced budget as the sole objective of government economic policy, won't like his emphasis on contracyclical policies—nor his suggestion that government spending should go on growing—nor the underlying long-range national economic goal-setting implicit in his program.

Whatever the effect on his own political fortunes, Rockefeller deserves credit for tackling this difficult and vitally important growth issue and for attempting to demonstrate that a program for promoting faster national growth is not pie in the sky but an urgent national task that must be tackled.

He also deserves high marks for pointing out that to achieve it we must be willing to build a program for growth—a program whose separate measures, as Rockefeller's speech shows, are bound to be immediately distasteful to many groups in the society.

Rockefeller's program is neither perfect nor complete. But it deserves serious study and criticism. The economic growth issue may well be a life-and-death matter for the nation. It should be one of the central points of debate in the 1960 campaign.

Aerial Teamwork

Working outside the frame of a high steel tower, sure-footed construction men string a powerline with the assistance of a come-along. The design and construction of power plants—as well as chemical process plants, steel mills, industrial buildings, gas plants and pipelines—calls for varied skills and long experience. And United Engineers is uniquely equipped to offer such services—plus careful budget control through familiarity with all time and cost factors. Our record of new assignments is long and varied. It includes the names of many clients previously served. Our skills and creativity can augment your engineering staff to any extent desired. We invite you to profit from our background of 75 years' experience as designers, construction engineers and engineering consultants.

Painting by Stanley Meltzoff



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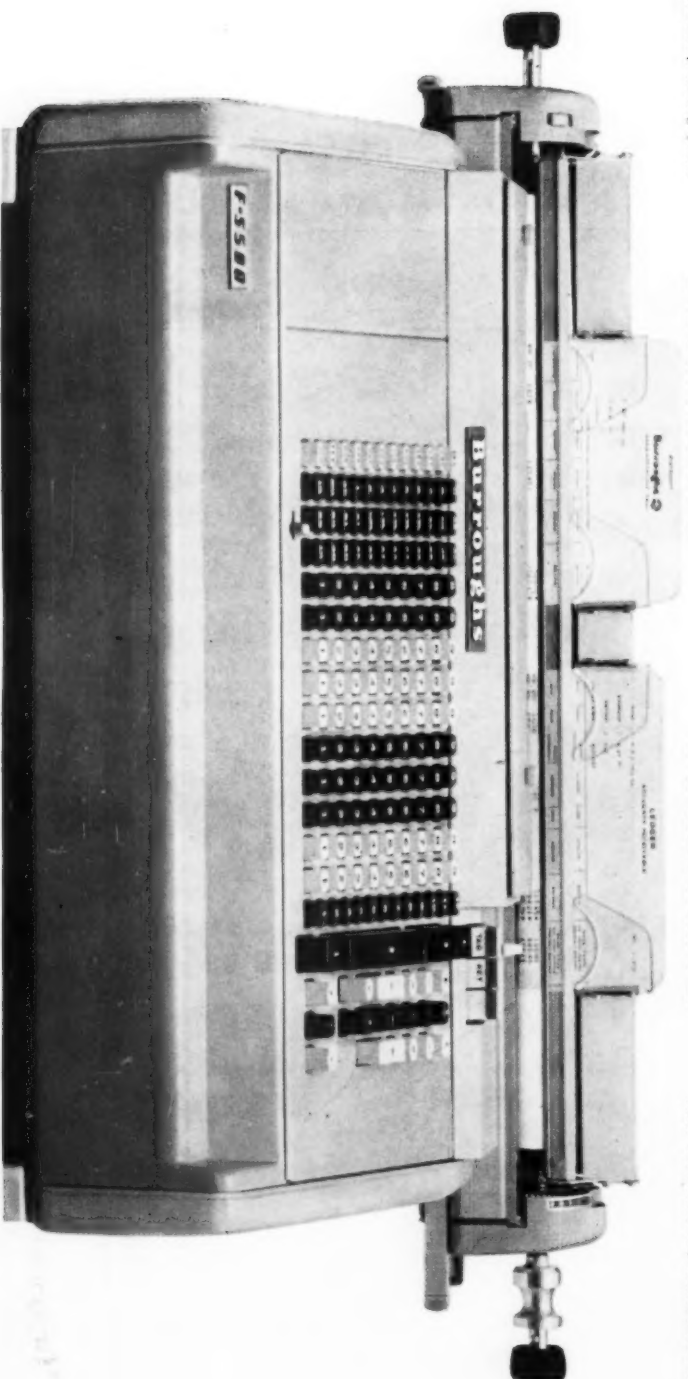
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